CONGRESSIONAL BUDGET OFFICE OVERSIGHT

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET

UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

FEBRUARY 5, 1982

Printed for the use of the Committee on the Budget

U.S. GOVERNMENT PRINTING OFFICE
96-498 O WASHINGTON : 1982

S251-7

COMMITTEE ON THE BUDGET

PETE V. DOMENICI, New Mexico, *Chairman*

WILLIAM L. ARMSTRONG, Colorado
NANCY LANDON KASSEBAUM, Kansas
RUDY BOSCHWITZ, Minnesota
ORRIN G. HATCH, Utah
JOHN TOWER, Texas
MARK ANDREWS, North Dakota
STEVEN D. SYMMS, Idaho
CHARLES GRASSLEY, Iowa
ROBERT W. KASTEN, Wisconsin
DAN QUAYLE, Indiana
SLADE GORTON, Washington

ERNEST F. HOLLINGS, South Carolina
LAWTON CHILES, Florida
JOSEPH R. BIDEN, JR., Delaware
J. BENNETT JOHNSTON, Louisiana
JIM SASSER, Tennessee
GARY HART, Colorado
HOWARD M. METZENBAUM, Ohio
DONALD W. RIEGLE, JR., Michigan
DANIEL PATRICK MOYNIHAN, New York
J. JAMES EXON, Nebraska

STEPHEN BELL, *Staff Director*
LIZABETH TANKERSLEY, *Minority Staff Director*
W. THOMAS FOXWELL, *Director of Publications*

CONGRESSIONAL BUDGET OFFICE OVERSIGHT

FRIDAY, FEBRUARY 5, 1982

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The committee met, pursuant to notice, at 10:16 a.m., in room 6202, Dirksen Senate Office Building, Hon. Pete V. Domenici, chairman, presiding.

Present: Senators Domenici, Andrews, and Gorton.

Staff present: Stephen Bell, staff director; Robert Fulton, chief counsel; and Lizabeth Tankersley, minority staff director.

OPENING STATEMENT OF CHAIRMAN DOMENICI

Chairman DOMENICI. The hearing will come to order.

Well, we are off to a real start this year with a lot of interest today. I was going to welcome all the members of the committee but they are not here. It is nice to have you here, Senator Gorton, and you also, Dr. Rivlin.

This hearing will help the committee discharge an important part of its responsibilities under the 1974 act. We are charged in that act with reviewing, on a continuing basis, the conduct of the Congressional Budget Office, its functions and its duties.

Obviously, the first session of the 97th Congress was unquestionably a year of unparalleled achievement, and I think there are many who do not understand that it was also a year of unparalleled work for the Congressional Budget Office. I do not think anyone will ever be able to appropriately log the time that we spent in that rather monstrous reconciliation effort, both the first time through when we were drafting the budget resolution with reconciliation instructions and then the weeks when the bill was being put together.

SERVICES EXPECTED OF CBO

I know what CBO did and I am most pleased with their effort in that respect. The core services which we in Congress have come to expect of CBO have been the provision of cost estimates of bills, scorekeeping reports, economic forecasts, and 5-year projections, the analysis of the President's budget in its session review, alternative budget reduction strategies, and more detailed analysis of particular problems and Federal activities. This work, without any doubt, has been of enormous assistance to the Congress.

The Congressional Budget Office has not been without problems. It has been severely criticized, and I hope we will be able to talk

constructively today about any problems which still exist. There is one basic question which this hearing must address; how can CBO better carry out its statutory responsibilities? I hope you have some suggestions in that regard because, obviously, we can always do better.

I will put the rest of my remarks in the record and yield to Senator Gorton if he has any comments or observations, and then we will hear from you, Dr. Rivlin.

PREPARED STATEMENT OF CHAIRMAN DOMENICI

I welcome members of the committee, Dr. Alice Rivlin, our witness today, and members of the press and the public to this hearing of the Senate Budget Committee. This hearing will help the committee to discharge an important part of its responsibilities under the Budget Act of 1974. The Budget Committee is charged by subsection 102(a)(2)(D) of the Congressional Budget Act with reviewing "on a continuing basis, the conduct by the Congressional Budget Office of its functions and duties."

The first session of the 97th Congress was unquestionably a year of unparalleled achievement. It is questionable in my view whether Congress would have been able to take the giant steps it did in changing fiscal policy had it not been for the herculean efforts of the staff of the Congressional Budget Office. During the progress of the Reconciliation bill, CBO staff did invaluable work in producing cost estimates and projections—often on impossibly short deadlines. The fact that CBO had to work with over 30 committees added to the incredible pressures. From everything I have heard, CBO's standards of quality and responsiveness were maintained throughout this unprecedented effort.

CBO has continued to provide the core services which we in Congress have come to expect of it: The cost estimates of bills; the scorekeeping reports; the economic forecasts and 5-year projections; the analyses of the President's budget and the midsession review; recommendations for budget reduction strategies and alternatives; and the more detailed analyses of particular problems and Federal activities. This work has been of enormous assistance to the Congress.

The Congressional Budget Office has not been without problems. It has occasionally been severely criticized. I hope that we will be able to talk constructively today about any problems which still exist. This is one basic question which this hearing must address. How can CBO better carry out its statutory responsibilities?

An oversight hearing at this time is particularly appropriate given the expectation that funding for congressional activities will continue to be tight. CBO has become an essential part of the legislative branch of Government, but is not exempt from the budgetary squeeze. During this hearing, we want to examine CBO's priorities, its organization and staffing and its performance. We also will want to explore with Dr. Rivlin how she will implement the recent amendment to the Budget Act which will require that CBO prepare, beginning this fall, "fiscal notes" on the impact of pending Federal legislation on State and local governments. Likewise, we will want Dr. Rivlin's assessment of CBO's ability to provide added support to the Senate Appropriations Committee, which we understand will be needed in the coming months, and the added work on credit budgeting the Budget Committees will undertake.

Again, I welcome Dr. Rivlin to this hearing. You may present your opening statement now, summarizing it to the extent you deem appropriate, and then we will have some questions for you.

OPENING STATEMENT OF SENATOR GORTON

Senator GORTON. Thank you, Mr. Chairman. I am delighted to welcome Dr. Rivlin because she and her Office are obviously going to be of vital importance to us in determining the alternatives we have before us during 1982.

As we were last year, we are going to be at the point where we attempt to determine economic policy for the country. The value and the contribution which CBO brings to that process simply cannot be overstated. So I wish to welcome you here and join with

you in attempting to determine what we can do to make the process better.

Chairman DOMENICI. You may proceed, Dr. Rivlin.

STATEMENT OF ALICE M. RIVLIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Dr. RIVLIN. Thank you very much, Mr. Chairman.

Let me say that I appreciate your taking the time to hold this hearing. Everybody is very busy. I do not know that there is a time in the budget cycle when the Budget Committee is not busy, but this is a particularly busy time for all of us, and I deeply appreciate your taking the time to hold an oversight hearing. We have not had one in quite some time. We appreciate Senator Gorton's taking the time to be here as well.

CBO WAS CREATED TO SERVE THE CONGRESS

The CBO, as you know, was created to serve the Congress. We have numerous clients, but the two most important clients of the CBO are the Senate and the House Budget Committees. And in order to do our job well, we do need feedback from you on what we are doing well, what we are doing badly, and how we could change the emphasis. And I very much appreciate your taking the time to have this hearing.

In the interest of time, let me skim through the statement which is fairly long. I will not take up your time reading all of it, but you are welcome to have it for the record.[1]

LEGISLATIVE MANDATE

The statement deals first with the legislative mandate of the CBO, with which I know you are familiar. We were established under the Congressional Budget and Impoundment Control Act of 1974, as a nonpartisan congressional support agency. We do economic and budgeting analysis and we prepare a wide range of budget information for the Congress.

The tasks of the CBO are spelled out in rather general terms in the act, but specific obligations are enumerated, such as scorekeeping, 5-year budget projections, and bill cost estimating. There is also general language about our responsibility to produce an annual report, which the law says should, and I quote:

> * * * discuss national budget priorities, including alternative ways of allocating budget authority and budget outlays—taking into account how such alternative allocations will meet major national needs and affect balanced growth and development of the United States.

A large order.

We will be releasing later today our annual report for this year. It is in three parts, reflecting three responsibilities to the committee. Part 1 is the economic forecast, which we hope will help the committee to sort out what might happen to the economy as you move into the budget year. Part 2 is the 5-year projection of the budget on a current policy basis—what the budget is likely to look like if you do not change the law. Part 3 is entitled "Reducing the

---

[1] See p. 30.

Federal Deficit: Strategies and Options." It discusses the deficit problem, what might be done about it both on the spending side and on the tax side, and offers a large menu of alternatives.

As you know, we do not ever make a recommendation on a policy matter. It is your job is to decide. But we hope that these documents will give you some background for those difficult decisions, and some options to be considered.

The Budget Act, as you know, establishes some priorities for who the CBO is to serve: First, the Budget Committees; second, the Appropriations and tax writing committees; finally, all other committees. We have interpreted the language of the act to mean that we respond to requests from the chairmen or ranking minority member of a full committee of jurisdiction, or the chairman of a subcommittee of jurisdiction or a Budget Committee task force.

ORGANIZATION

We are organized in a way that we think responds to the Congress and gives it the information that it needs. We are organized in several divisions, and our organizational chart appears in my prepared statement.[1] The organization is fairly straightforward, and it closely resembles that of the Office of Management and Budget. Our largest Division, the Budget Analysis Division, deals with our numbers responsibilities—with costing of bills, with scorekeeping, and with budget projections. That Division is headed by James Blum. Our Fiscal Analysis Division produces the economic forecasts and related fiscal analysis; it is headed by William Beeman. Our Tax Analysis Division has similar responsibilities to budget analysis on the tax side. It does revenue estimating, and provides estimates of tax expenditures and other tax analysis. The Division is headed by Jim Verdier. Then we have three program Divisions which concentrate on analysis of areas of the budget: Natural Resources, headed by Dave Bodde; Human Resources, headed by Nancy Gordon; and National Security, headed by Bob Hale. We also have a small unit that analyzes general Government programs, that is, post office, Treasury, civil service, and that sort of thing. That unit is located in the Office of Intergovernmental Relations under Stanley Greigg.

Over the years, the responsibilities of the CBO have changed somewhat. We did not really know exactly what would be demanded by the Congress when we set up the organization, and we have shifted staff around as the need arose. The staffing pattern is shown in table 1 in my prepared statement.[2] What you will see there basically is that the numbers operation in Budget Analysis and related activities in Fiscal Analysis and Tax Analysis have grown over the years. That has proved to be a very people consuming part of the operation, and we have shifted resources into those three divisions over the years.

As the Congress changes its emphasis on particular program areas, we have responded to that, too. For a while, energy was the great source of interest and, more recently, we have had much

[1] See p. 33.
[2] See p. 35.

more demand for analysis in the national security area. We have moved resources in there and out of Human Resources which seems not to be the focus of attention at the moment.

We will continue to make such adjustments in the future. We are eager to have a staffing pattern that matches what the demands on us are. At the moment, we are continuing to move resources into the numbers operations, and particularly into scorekeeping which, as you know, has been a very important area of activity and will continue to be over the next year or so.

ALLOCATION OF RESOURCES

Chairman DOMENICI. Dr. Rivlin, could I interrupt for a minute? Maybe this is not a good way to break down your effort but it would help me a little, and maybe you could respond.

Would it be appropriate to talk about your activities as one big area of scorekeeping and cost projections? One area is economic forecasting and fiscal policy analysis, and one area is an annual report on the budget. These are activities, and then special studies.

I guess what I would like to know, if you can tell me, how you allocate your resources among those five kinds of activities. Can you do that?

Dr. RIVLIN. We could try to do that, but that is not the way that we think about our organization. First of all, our annual report cuts across all divisions. Second, we include scorekeeping, costing, and projecting in Budget Analysis. Those are the basic numbers operations. We also include in Budget Analysis the computer support for those operations and for the rest of the organizations.

Chairman DOMENICI. All right. Then let us take those three.

Dr. RIVLIN. They are all in one division, the Budget Analysis Division.

Chairman DOMENICI. What percent of your budget and what percent of your people are in those three?

Dr. RIVLIN. That is a single division which has 78 people out of a total of 218.

Chairman DOMENICI. It's 78 out of 218?

Dr. RIVLIN. That is right.

The budget of the Budget Analysis Division is roughly $5 million out of a total of $13 million.

Chairman DOMENICI. All right. You have given me that one division and what it does and things that we understand: budget analysis, costing, and projecting. What is another division?

Dr. RIVLIN. Then we have Fiscal Analysis, which does the economic projections, the forecasting operation. Fiscal Analysis has 23 people, and a budget of $1.3 million.

To move on to Tax Analysis then, it has 16 people, and a budget of $600,000. Those three divisions, that is, Budget Analysis, Fiscal Analysis, and Tax Analysis, account for a little over half of our budget—54 percent. The program divisions—Human Resources, National Security, and Natural Resources—have a little over 20 people each, a total of 69 people for those divisions.

PROGRAM DIVISIONS

Chairman DOMENICI. Now, tell me again—in the Program Divisions, what is the significance of those Program Divisions in light of our work?

Dr. RIVLIN. That is where the analysis of budget issues in a particular area would fall. I think the clearest example of the interrelationships of our work is our document, "Reducing the Federal Deficit: Strategies and Options." The entire organization contributed to this document. It has, for example, several human resources chapters which look at alternatives for education, for social security, for employment programs, for medicare, for medicaid. Those alternative strategies, as we have called them, were developed in the Human Resources Division, costed with the aid of the Budget Analysis Division, and appear in this document.

Similarly, Natural Resources works on alternative resources for energy, for transportation, for agriculture, for clean air, and so on; and National Security works on the defense options.

SPECIAL STUDIES

Chairman DOMENICI. Let me just ask the question this way.

One of the functions of the Congressional Budget Office is special studies. I am reading from one of the Congressional Budget Office's documents where they broke it down into five. One function is special studies. Congressional Budget Office undertakes studies requested by Congress on budget-related areas as required by the act, and such services are provided in the following order of priority: House and Senate Budget Committees, House Ways and Means and Senate Finance Committees, and all other congressional committees.

Now, who does that work?

Dr. RIVLIN. Studies are done by the Program Divisions on request of committees. In fact, I am getting to that in my statement; if you would like me to skip over to that, I would be happy to.

Chairman DOMENICI. Let us finish this quick summary for me.

You have 20, 20, 20 in these three. You have given me the other three, including Fiscal, three Analysis projections. What is the other division?

Dr. RIVLIN. The breakout of the budget numbers?

Chairman DOMENICI. Yes.

Dr. RIVLIN. In an aggregate sense, the program analysis divisions currently have a total staffing of 73, and a budget of $3,548,000, which is just over a quarter of our budget. That includes the General Government Unit in addition to the three divisions that I mentioned. Roughly speaking, the Budget Analysis, Fiscal Analysis, and Tax Analysis Divisions account for just over half of our budget—54 percent. The program analysis divisions account for about a quarter, and the rest of the budget is for everything else, supporting services and so forth.

Chairman DOMENICI. Go ahead.

FUNDING AND STAFFING

Dr. RIVLIN. I had mentioned that the divisions, while separate for administrative purposes, work very closely together, and this document, "The Reducing of the Federal Deficit," is perhaps our most current example of that.

As you can see in table 2 in my prepared statement,[1] the funding for the CBO has risen at considerably less than the rate of inflation for the last several years, and our authorized staff has been at the same level since 1979. The very intense budget activity of the last year, of which you are all too aware, has increased our workload enormously. Our economic forecasts have been more and more in demand. This committee and the House Budget Committee have greatly increased their requests for projections and estimates. Other committees, as they struggled with the implications of the budget process, with reconciliation, and so forth, have increased their demands on the CBO. I have been very proud of the way the staff has functioned under this overload, and I hope that we can continue to function well in the upcoming cycle.

WORK PRODUCTS

In dealing with our work products, I had mentioned scorekeeping, which is one of our major activities. It has changed in form, as the world has changed, and has become more automated. We now provide computer printouts rather than hard copy to the Budget Committees and to the Appropriations Committees on a frequent basis. Every year we do an analysis of the President's budget. We are getting to work on that this weekend, and we will have this year's analysis ready on February 25.

We do the baseline budget projections which I have already mentioned. The statute says we do them once a year. Actually, as you know, projecting the budget has been an almost continuous activity and we are called on to produce new 5-year projections as the Congress acts on the budget throughout the cycle.

We do bill cost estimates, which is a very heavy, labor-intensive drain on our staff. We have done, in general, 750 to 1,000 bill cost estimates per year. Some of these are duplications but it is still a large workload. The big workload this year, however, which only counted as one bill, came as the Omnibus Budget Reconciliation Act which, as you noted in your opening statement, was a large order for the cost estimators.

We prepare economic forecasts approximately twice a year, geared to the needs of the committee. In that effort, we are aided by a distinguished group of advisers who meet a couple of times a year to give us advice. They are listed in table 3 in my prepared statement.[2]

We have provided the Congress with inflationary impact of individual bills. Inflationary analysis has also been incorporated into major analytical reports on agriculture, on the strategic petroleum reserve, and so on. We have done major reports on indexing—both the indexing of spending programs and the indexing of the tax

[1] See p. 38.
[2] See p. 43.

system. We have recently completed the initial development of an inflation scorekeeping report. Our current work on inflation includes work on natural gas decontrol, which obviously has inflationary impact.

PROGRAM ANALYSIS

Regarding program analysis, we have the responsibility to respond to committee requests for special analyses of various areas of the budget. Over the history of CBO, we have done about 400 such reports on request from a wide number of committees. The Senate Budget Committee and the House Budget Committee have been our most frequent requesters, but other committees have increasingly requested reports and studies from the CBO. Indeed, the workload has shifted over the years and now we do about 60 percent of our special reports for committees other than the Budget Committees. I think that indicates how pervasive the budget process is and how the other committees feel that they need to get budget information and budget analysis in hand as they deal with the budget process. Table 4 in my prepared statement lists the number of requests by committee.[1]

My statement talks about a number of these reports and I will run through them very quickly. We have provided the committee with a copy of our publications list, together with a supplemental list of reports that have been issued since the booklet was printed.

The windfall profit tax study was central to the difficult debate on that issue and our evaluation of the strategic petroleum reserves was also important in discussion about what to do about those reserves. We did a very interesting and controversial report on urban transportation for handicapped persons, which was used in working out a compromise about that difficult issue. We have also worked on synthetic fuels, and our study on that issue played an important role in the debate.

We have done a number of reports on military manpower—on selective service, on survivor benefit plans, and on the cost of manning the active-duty military—that have figured heavily in the manpower debate. And we have done a considerable amount of work on expensive weapon systems, which the Armed Services Committees and others have used extensively in their decisions.

Our work on the food stamp program has been important in the various rounds of congressional debate on what to do about that program. Our work on Federal student assistance was used exclusively in drafting the reauthorization bill in 1980.

We have worked on hospital cost containment and various options for improving the competitiveness of the health sector at the request of the committees interested health issues. Our report on the long-term costs of low-income housing assistance programs, prepared at the request of this committee, dramatized the major budget implications for the future of the section 8 program.

We have also worked on postal subsidies, on civil service, and a great many other things.

---

[1] See p. 46.

ORAL TESTIMONY FREQUENTLY REQUESTED

The vehicle for transmitting this information is not only the written report but also testimony. We are called on very frequently to testify. I testify two or three times a week before various committees while the Congress is in session. I was before Armed Services in the House yesterday. We have testimony on waterway user charges next week. It is a varied set of topics that we are called on to talk about.

Summarizing our work for this fiscal year, we responded to requests for reports from 11 Senate committees and 9 House committees and for testimony from 11 Senate committees and 8 House committees. This is a broad spectrum and, as I said, it has altered to some extent, in that the nonbudget committees have been turning to us more and more frequently for help.

LOOKING AHEAD TO NEW RESPONSIBILITIES

Finally, a look ahead. The budget season facing the Congress in the coming months will be an extremely busy one for all of us. Besides the heavy workload that we already have, the CBO must now also begin to think about how best to carry out its new responsibilities mandated under Public Law 97-108, to prepare State and local cost estimates for bills under consideration. We must begin this new undertaking at the start of fiscal year 1983. It will be a challenging assignment, conceptually more difficult than preparing the Federal bill cost estimates we now produce.

To carry out this new duty fully, we will need to draw on a range of data-gathering and analytical capacities that go beyond those required by our current responsibilities.

FISCAL YEAR 1983 APPROPRIATION REQUEST

In our appropriation request for fiscal year 1983, therefore, we will be asking for eight additional positions. This request is consistent with the number we envisioned as necessary when we testified before both the Senate and the House on the feasibility of CBO's undertaking State and local bill cost estimates. Further, we will be requesting resources we will need to develop the essential data base and computer support capacities.

The present budget season is, of course, our immediate and most pressing concern. We stand ready to assist the committee and the rest of the Congress as you move into what promises to be a very difficult budget session indeed.

Chairman DOMENICI. How much of the 23-percent increase that you are asking for is directly attributable to the new—one new role that you have, one of the new statutory roles? You said eight positions, which is what you told the committees when they asked.

Dr. RIVLIN. That is right.

Chairman DOMENICI. Certainly that is not 23 percent?

Dr. RIVLIN. No, it is not. We are asking for an additional $3 million, of which half is for increased computer costs. I have not talked about that, but that is one of our major problems at the moment. The increasing demands on us for computer runs and the rising cost of computer services are putting a great strain on our

budget. The cost of the additional positions for the State and local fiscal note responsibility plus the supporting computer services for that is $700,000.

Chairman DOMENICI. Is what, $700——

Dr. RIVLIN. $700,000.

Chairman DOMENICI. Let me ask you a little bit—a few questions about that.

You do not really think that Congress is going to give you 23 percent increase, do you?

Dr. RIVLIN. I do not know what the Congress is going to give us.

Chairman DOMENICI. Well, I hope you are working on some options, that is what I am suggesting. All the other committees are coming in very close to their last year's mark.

Dr. RIVLIN. We have done that over the last several years. We have not asked for any additional positions, and we have asked for less of an increase than inflation would warrant. And we have had a declining real budget over the last several years. We thought that it was time to dramatize two problems that we have. One is the rising cost of computer services and the rising demand on us for computer runs. The other is the new responsibility for the State and local cost estimates. It is, of course, up to the Congress to decide what they want to do about that, but we thought we would lay out what we think the problems are and what we need to do the job.

TURNOVER RATE OF TOP LEVEL PEOPLE

Chairman DOMENICI. Let me ask two more questions and then I will yield to Senator Gorton.

At the top levels, do you have turnover figures for us; what is the rate at which the top level people turn over in the organization?

Dr. RIVLIN. I can give you that. It has not been very rapid.

Over the last year, we have lost at the top level Robert Reischauer, who was Deputy Director. Ray Scheppach moved up to that position from heading our Natural Resources Division. We replaced Ray with David Bodde who came from the Energy Department. We also lost David Chu, who was heading our National Security Division to the Pentagon. He is now running the program evaluation operation in Secretary Weinberger's office. We replaced him from within the organization—Bob Hale moved up. But we have not had a great amount of turnover in the top staff, I am happy to report.

Chairman DOMENICI. Now, when Congress changed the ceiling for high level Federal employees just recently, that put you in the position where you can raise certain of your people in terms of their pay, is that right?

Dr. RIVLIN. That is right.

Chairman DOMENICI. Will you submit to the committee how you handled that in terms of CBO?

Dr. RIVLIN. Yes, I would be very happy to.

Chairman DOMENICI. And if you can do that rather quickly, we would like to see that, if you will.

[The following was subsequently received for the record:]

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., February 12, 1982.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During our recent oversight hearing, you requested information about how the Congressional Budget Office (CBO) handled adjusting personnel to the new executive salary ceiling of $57,500.

On December 31, 1981, CBO had 36 staff members at the executive pay cap of $50,113. The majority of these staff members reached the cap either through merit increases or through the annual cost-of-living adjustments. Like elsewhere throughout the federal government, these capped salaries were a direct result in most instances of salary compression.

Once the executive pay cap was lifted to the current level of $57,500, we conducted a very thorough internal management procedure in reviewing all capped personnel. I held a series of meetings with our executive staff to determine on an individual basis appropriate merit increases based on supervisory position and performance.

As a result of this review procedure, we now have 13 staff members at the new authorized salary level of $57,500. The remaining 23 staff member salaries were set at varying levels between $50,113 and $55,000.

Before January 1, we had 36 individuals, or 16.5 percent of our total staff, at the old cap; today we have 13 staff members, or 6 percent of the staff, at the new level of $57,500.

I will be pleased to provide you with any additional information you may need.

With best wishes.

Sincerely,

ALICE M. RIVLIN,
Director.

SELLING SERVICES TO BALANCE WORKLOAD NOT NECESSARY

Chairman DOMENICI. My last question has to do with the work your staff does for other committees, in giving reports.

Now, how do you, as a managing technique, assure that the staff is continually occupied with important work? Let me tell you what I have heard. I have heard that to some extent it has been necessary for you to go to committees and sell, or ask them if you could do work for them, in order to keep the workload balanced.

Now, I do not know that. I think if I was interested in documenting it, I could produce a couple for you. But I do not think that is a very good practice.

I would just like to know if you know whether or not that happens.

Dr. RIVLIN. I do not think we have any necessity of selling our services. The problem that I see is much more that we are overloaded. I often have a problem of conflicting requests; I have to fend off chairmen, frequently on opposite sides of the Hill, who want the services of a particular staff at the same time. It is not an easy position to be in.

But with respect to our relationships with the other committees on the Hill, two kinds of things have happened. They have come to us, and we have gone and introduced ourselves to them, especially when they have a new staff director. As you know we had a shift on the Senate side last year. A whole new group of people came in. Many of them were not familiar with the Hill at all. It seemed sensible to us to say here we are, this is what we do. That may well have looked like selling the product.

In general, what we have is too many committee requests, or at least more than we can fill. We try to steer committee and subcom-

mittee chairmen, and ranking members, to OTA or GAO or CBS when the request seems more appropriate for them. Or we may say we just cannot do it. We have not got the resources to do that. We are sorry.

Chairman DOMENICI. I would suspect that this has happened, and I would think it happens because of the existence of groups that do special studies, that have special skills and special knowledge.

I would ask you to inquire of your staff about this. I do not think it is a very good practice, especially when you have plenty to do.

If you would make the inquiry, and provide the committee with a letter as to what you have found, and informing us as to the results of your inquiry, assure us that people within your organization are not out there trying to do a study for someone.

I am not trying to make this a major problem. I have just heard it a couple of times. In fact, more than a couple, and I would like to make sure that we are in accord, that you would not want—as a management technique—your people to do that, even if they felt it was needed for balance.

I think it is your decision as to what is needed to keep everybody working, and to move people around where their skills are needed. So if you would do that, this problem could be easily resolved.

Dr. RIVLIN. I would be happy to do that, Mr. Chairman.

[The following was subsequently received for the record:]

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., February 16, 1982.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: During our recent oversight hearing, you asked that I inquire of my staff whether any groups within the Congressional Budget Office (CBO) have been soliciting Congressional committees for requests to prepare special reports on topics in which we already have a special expertise—in essence, whether CBO staff have been trying to market their services.

I have carefully reviewed this with my Assistant Directors, particularly those who head our program area divisions. They have assured me that this has not been the case. They confirmed what I mentioned in the hearing—namely, that CBO staff met and briefed new Senate staff members at the beginning of the 97th Congress, informing them about CBO and its capabilities to serve the Congress. This was felt to be particularly necessary this last year because of the turnover in personnel on the Senate committee staffs. The Assistant Directors also remarked that at times their staffs had worked with committee staff members to determine exactly what direction a requested CBO study should take. But, as I said during the hearing, our experience has been much more one of having to limit the number of requests we can handle than of trying to "sell our product."

I can assure you that I will remain alert to your concern and should you wish to share with me any specifics called to your attention, I will pursue them in a most detailed fashion.

With best wishes,
Sincerely,

ALICE M. RIVLIN,
Director.

Chairman DOMENICI. Senator Gorton?

INTEGRATE CREDIT ACTIVITIES INTO BUDGET PROCESS

Senator GORTON. Dr. Rivlin, shortly before the Christmas recess you testified here in connection with the Task Force on Federal Credit Activities. There seems to be a relatively broad consensus

that credit activities be more fully integrated into the budget process.

Has CBO taken any steps to approach its capabilities for scorekeeping, estimating, projections and so forth, relating to credit programs?

Dr. RIVLIN. Yes.

Senator GORTON. How is that reflected?

Dr. RIVLIN. As you know, we have been enthusiastic about including credit in the budget process, because that seemed to us to be one of the major gaps in the budget process. We have been very happy that both the House and the Senate Budget Committees seem to be moving in that direction.

We have taken steps over the last year or two to get ready to provide the Congress with various services relating to credit activities. We have instituted a credit scorekeeping system so that we can now keep track of credit bills as they move through the Congress, as we do with spending bills. We have produced a baseline credit budget so that you know where you are starting from. It does not yet include the outyears, as we do for the spending budget, but it will soon. We are also prepared to include credit in our bill costing.

The major problem that we see at the moment is not on the Hill, it is in the executive branch. The OMB does not yet have a good way of tracking credit activities in the executive branch, in the same way that it tracks outlays on spending programs. They can tell you every month how they are doing on the outlays on spending programs. They cannot tell you in the same organized way how much credit has been extended, or how much in loan guaranties. We think that needs to be beefed up.

PRIORITIES SHOULD BE THOSE OF THE CONGRESS

Senator GORTON. How is this function going to be impacted by this budget request? If you do not get the eight additional staff people for the fiscal act and still have that responsibility, how would you carry out that responsibility, and how will it impact other responsibilities of CBO, especially the credit activities?

Dr. RIVLIN. That raises the whole question of priorities, and my only answer is that it seems to us that the priorities of the CBO should be those of the Congress, and particularly of the Budget Committees. Before we would do any cutting, we would sit down with you and ask: "What do you want us to do?" We have a problem, we cannot do everything. "What are your priorities?" I would expect you would not say cut your credit activities. I would hope you would not say cut credit, but that is the kind of conversation we would have with you.

We are gearing up on credit, and we expect to continue this. I would not expect it would be one of the things that we would cut back on.

Senator GORTON. I think you broke down the increase in the budget into roughly three items. What would your recommendations as to those priorities be? Is computer time the most important to you and your operations, as you see it?

Dr. RIVLIN. I do not have an answer to that. If we get into a serious budget crunch, we really will have to come back to you, to the whole committee, and ask what is it we should do?

My own view would probably be that we could retrench on several fronts. Over the last couple of years, we have, we have worked very hard on economizing on computer time, and with good success. We have gotten a lot more computer output for the same amount of money. There are limits to the extent that we can do that, but we would certainly continue to look for other ways. We would talk to the Budget Committees about what were the most important computer runs. There are often things that are very expensive in terms of computer time that may or may not be high priority in your own view. So that would be one thing. And we would talk about other areas in which you might want us to cut back.

NEW FEDERALISM

Senator GORTON. On a separate subject. The President, as you know, has both rather far-reaching plans under the title of New Federalism. Do you see CBO as having any significant impact analyzing these proposals? Have you prepared any such a plan for dealing with any of those proposals?

Dr. RIVLIN. Yes. I would expect that the New Federalism is going to be the center of congressional interest for some time. We have already begun to receive requests to analyze the implications of the President's proposals. At the request of the Ways and Means Committee, we did a quick analysis on the AFDC-medicaid-food stamps spend out by States. It was essentially a letter to Chairman Rostenkowski. I think that is the first of many such requests. Senator Roth is interested in CBO analysis, and others are also interested.

I have asked Ray Scheppach, the Deputy Director of CBO, to coordinate our work. It will involve the Human Resources and the Budget Analysis Divisions in a major way. We would welcome any suggestions that you have on how we should carry this out.

What we anticipate—and we have already had preliminary discussions with some committees—is that there will be several committee requests asking us to analyze various aspects of the New Federalism.

ACCURACY OF ECONOMIC FORECASTS

Senator GORTON. One final question that relates very much to the kind of data which you will be giving us very, very soon. Using whatever historic perspective back to the formation of the office you wish, how accurate have CBO's economic comparisons been compared to the various organizations that you have served and the major private forecasters?

Dr. RIVLIN. I can give you for the record some tables that will show how our forecasts compare with what actually happened.

In general, administrations tend to be optimistic about everything, and that is a very nonpartisan statement. All administrations are optimistic. This administration was more optimistic than usual. A year ago, the administration was saying that the economy would be stronger than we thought, and that interest rates would

come down more rapidly than we thought. We were both wrong. We failed to predict the recession of the fourth quarter. As one looks ahead now, the economy is weaker than either the administration, or the CBO or the commercial forecasters thought.

Senator GORTON. Did any of the commercial, private forecasters get it right as of a year ago?

Dr. RIVLIN. I do not think they got it right as of a year ago, although I could check that. The advantage of being a commercial forecaster is that you get to update your forecast every month. So, as the time drew near, some of them did predict the recession.

Senator GORTON. But you are going to have it precisely right for us this year?

Dr. RIVLIN. Of course. But I will give you, for the record, some tables that will show our historical record.

Senator GORTON. Thank you, Mr. Chairman.

[The following was subsequently received for the record:]

CBO FORECASTING RECORD

CBO's forecasts made in midwinter (usually January) for the year ahead have tended to be relatively accurate. We forecast fourth-quarter-over-fourth quarter growth rates or fourth quarter levels, which is more difficult than forecasting calendar years averages. On this basis, the average error over the past four years (ignoring sign) has been about one half of one percentage point on real GNP growth. The error on the unemployment rate four quarters in the future has averaged only one-half of 1 percentage point. The error in forecasts of the inflation rate have been somewhat larger, but not dramatically so. However, two things should be noted: (1) The CBO forecasts are generally current policy forecasts; thus, our forecasts often differ from actual developments because policy changes are made during the year. (2) The forecasts in later years are affected very substantially by policy changes and, therefore, cannot usefully be compared to actual developments.

96-498 O - 82 - 2

THE ACCURACY OF TWO RECENT CBO ONE-YEAR FORECASTS OF THE ECONOMY: January 1980 and January 1979

	Forecast 1/	Actual 2/
I. The JANUARY 1980 CBO FORECAST FOR THE ECONOMY IN CALENDAR YEAR 1980		
Constant-Dollar GNP (percent change from 1979:Q4 to 1980:Q4)	-1.0	-1.1
Implicit Price Deflator (percent change from 1979:Q4 to 1980:Q4)	9.2	10.2
Unemployment Rate (year average, in percent)	6.9	7.1
II. THE JANUARY 1979 CBO FORECAST FOR THE ECONOMY IN CALENDAR YEAR 1979		
Constant-Dollar GNP (percent change from 1978:Q4 to 1979:Q4)	1.0	1.0
Implicit Price Deflator (percent change from 1978:Q4 to 1979:Q4)	8.0	8.9
Unemployment Rate (year average, in percent)	6.2	5.8
III. AVERAGE OF THE TWO FORECASTS, 1979 and 1980		
Constant-Dollar GNP (annual rate percent change from 1978:Q4 to 1980:Q4)	0.1	0.0
Implicit Price Deflator (annual rate percent change from 1978:Q4 to 1980:Q4)	8.6	9.5
Unemployment Rate (two-year average, in percent)	6.5	6.5

1/ Midpoint of the CBO forecast range.

2/ All of the GNP comparisons are based upon Commerce Department data prior to the December 18, 1980, benchmark revisions of historical data. The figures for GNP, real GNP, and the GNP deflator for the fourth quarter of 1980 were obtained by applying the growth rates in the revised data to the unrevised data.

CBO ECONOMIC PROJECTIONS (BASED ON CURRENT POLICY) AND ACTUAL PERFORMANCE, 1982 and 1983

	For 1983		For 1982			
		Date of Projection		Date of Projection		
	Actual	Feb. 1982	Actual	Feb. 1982	Sept. 1981	March 1981
Annual Rate of Change in: b/						
GNP		9.1 to 13.1		8.3 to 12.3	9.3 to 13.5	10.0 to 14.0
Real GNP		2.9 to 4.9		1.8 to 3.8	3.1 to 5.1	1.8 to 3.8
Inflation: GNP Implicit Price Deflator		5.9 to 7.9		6.2 to 8.2	6.0 to 8.0	8.0 to 10.0
Inflation: Consumer Price Index		6.2 to 8.2		5.4 to 7.4	5.7 to 7.7	8.6 to 10.6
Percent (4th Quarter):						
Rate of Unemployment		7.1 to 8.1		8.2 to 9.2	6.6 to 7.6	7.1 to 8.1

NOTE: CBO projections were based on current policy fiscal assumptions and, therefore, are not directly comparable with actual outcomes.

b/ Rates of change for variables are measured using 4th quarter data.

Update: CK: 3/1/82 (FAD)

CBO ECONOMIC PROJECTIONS (BASED ON CURRENT POLICY) AND ACTUAL PERFORMANCE, 1981

	For 1981					
		Date of Projection				
	Actual	Sept. 1981	March 1981	July 1980 a/	March 1980 a/	Jan. 1980 a/
Annual Rate of Change in: b/						
GNP	9.7	9.2 to 13.4	10.0 to 14.0	10.4 to 14.6	10.0 to 14.2	10.2 to 14.4
Real GNP	0.8	1.5 to 3.5	0.8 to 2.8	2.5 to 4.5	1.3 to 3.3	2.0 to 4.0
Inflation: GNP Implicit Price Deflator	8.8	7.6 to 9.6	9.0 to 11.0	7.7 to 9.7	n.a.	8.1 to 10.1
Inflation: Consumer Price Index	9.5	8.2 to 10.2	9.7 to 11.7	8.3 to 10.3	8.9 to 10.9	8.3 to 10.3
Percent (4th Quarter): Rate of Unemployment	8.4	7.1 to 8.1	7.3 to 8.3	8.4 to 9.4	7.0 to 8.0	7.5 to 8.5

NOTE: CBO projections were based on current policy fiscal assumptions and, therefore, are not directly comparable with actual outcomes.

a/ These GNP estimates are based on Commerce Department data prior to the December 18, 1980 benchmark revisions of historical data.

b/ Rates of change for variables are measured using 4th quarter data.

CBO ECONOMIC PROJECTIONS (BASED ON CURRENT POLICY) AND ACTUAL PERFORMANCE, 1979 AND 1980

Annual Rate of Change in: b/	For 1980					For 1979				
		Date of Projection					Date of Projection			
	Actual	July '80	Jan '80	July '79	Jan. '79	Actual	July '79	Jan. '79	July '78	Feb. '78
GNP a/	9.0	3.7 to 7.8	5.7 to 9.8	9.9 to 14.1	9.7 to 13.9	9.9	6.2 to 10.3	7.0 to 11.1	9.0 to 11.6	8.2 to 10.9
Real GNP a/	-0.6	-4.3 to -2.3	-2.3 to -0.3	1.9 to 3.9	3.0 to 5.0	1.0	-2.0 to 0.0	0.0 to 2.0	2.7 to 4.2	2.4 to 3.9
Inflation: GNP a/ Implicit Price Deflator	9.4	8.3 to 10.3	8.2 to 10.2	7.9 to 9.9	6.5 to 8.5	8.9	8.4 to 10.4	7.0 to 9.0	6.1 to 7.1	5.7 to 6.7
Inflation: Consumer Price Index	12.5	10.5 to 12.5	8.6 to 10.6	7.9 to 9.9	6.5 to 8.5	12.7	9.9 to 11.9	7.0 to 9.0	6.2 to 7.2	5.5 to 6.5
Percent (4th Quarter): Rate of Unemployment	7.5	8.4 to 9.4	7.2 to 8.2	6.7 to 7.7	6.2 to 7.2	5.9	6.4 to 7.4	6.2 to 7.2	5.2 to 6.0	5.1 to 6.6

NOTE: CBO projections were based on current policy fiscal assumptions and, therefore, are not directly comparable with actual outcomes.

a/ The GNP comparisons are based upon Commerce Department data prior to the December 18, 1980 benchmark revisions of historical NIA data. The figures for GNP, real GNP, and the GNP deflator for the fourth quarter of 1980 were obtained by applying the growth rates in the revised data to the unrevised data.

b/ Rates of change for variables are measured using 4th quarter data.

CBO ECONOMIC PROJECTIONS (BASED ON CURRENT POLICY) AND ACTUAL PERFORMANCE, 1977 AND 1978

	For 1978					For 1977					
		Date of Projection					Date of Projection				
	Actual	July '78	Feb. '78	July '77	Jan. '77	Actual	July '77	Jan. '77	Aug. '76	Mar. '76	Sept. '75
Annual Rate of Change in: b/											
GNP	13.4	10.1 to 12.2	9.4 to 11.5	8.5 to 11.5	7.0 to 11.5	12.3	11.0 to 13.0	8.0 to 11.0	11.0 to 12.5	10.7 to 12.0	8.0 to 12.0
Real GNP	4.8	3.5 to 4.5	3.5 to 4.5	3.6 to 5.1	3.0 to 5.5	5.7	5.0 to 6.0	3.5 to 5.0	4.5 to 6.5	5.0 to 6.5	2.0 to 5.0
Inflation: GNP Implicit Price Deflator	8.2	6.4 to 7.4	5.7 to 6.7	4.5 to 6.5	4.0 to 6.0	6.2	6.0 to 7.0	4.5 to 6.0	5.0 to 7.0	4.7 to 6.2	5.5 to 7.0
Inflation: Consumer Price Index	9.0	6.8 to 7.8	5.5 to 6.5	4.5 to 6.5	3.8 to 5.8	6.7	6.0 to 7.0	4.3 to 5.8	4.7 to 6.7	4.7 to 6.2	6.0 to 8.0
Percent (4th Quarter): Rate of Unemployment	5.8	5.5 to 6.1	6.0 to 6.5	5.9 to 6.9	6.6 to 7.6	6.6	6.6 to 7.2	7.1 to 7.8	5.8 to 6.4	6.4 to 6.9	6.6 to 7.5

NOTE: CBO projections were based on current policy fiscal assumptions and, therefore, are not directly comparable with actual outcomes.

b/ Rates of change for variables are measured using 4th quarter data.

CBO ECONOMIC PROJECTIONS (BASED ON CURRENT POLICY) AND ACTUAL PERFORMANCE, 1976

Annual Rate of Change in: b/	Actual	For 1976 Date of Projection Aug. '76 c/	Mar.'76	Sept.'75	June '75
GNP	9.9	10.5 to 12.4	11.5 to 12.8	11.5 to 14.5	12.6 to 14.0
Real GNP	4.9	5.4 to 6.6	5.5 to 7.0	5.0 to 7.0	5.0 to 6.0
Inflation: GNP Implicit Price Deflator	4.8	4.4 to 5.9	5.0 to 6.5	6.0 to 7.5	6.5 to 8.5
Inflation: Consumer Price Index	5.0	3.9 to 5.7	5.0 to 6.5	6.5 to 8.0	6.3 to 8.7
Percent (4th Quarter): Rate of Unemployment	7.7	6.9 to 7.3	7.0 to 7.5	6.9 to 7.6	7.8 to 8.2

NOTE: CBO projections were based on current policy fiscal assumptions and, therefore, are not directly comparable with actual outcomes.

b/ Rates of change for variables are measured using 4th quarter data.

c/ Rates of change in this column may not be as precise as in other columns in the table because of lack of detail now available concerning this past forecast.

Chairman DOMENICI. Mark?

IMPACT OF $200 BILLION TAX REDUCTION ON INTEREST RATES

Senator ANDREWS. Thank you, Mr. Chairman.

Dr. Rivlin, it is good to have you here. My colleague mentioned New Federalism, and that, of course, has intrigued all of us. There are many ways that Federal programs could be made to work better than we have had for a long time, but quite candidly, that is for the next decade, in the eighth or ninth out year. The problem that we are faced with on this Committee, and the problem that consumes this country, is what is going to happen in the next 10 months. The major concern revolves around interest rates.

You talked about forecasters. Let me run a couple of crystal ball items by you first, and then we can get to a couple of matters of technique in the Congressional Budget Office. As I understand it, the tax reduction that was passed by Congress last year is about a $750 billion reduction over the next 5 years.

Dr. RIVLIN. Cumulatively.

Senator ANDREWS. Cumulatively, yes.

Now, if that were reduced by about $200 billion, I have been told that interest rates would today be probably 4.5 to 5.5 percent less. Is that essentially true?

Dr. RIVLIN. It would be hard to give an exact number. They would certainly be less.

If the deficit were less, interest rates would come down. It is hard to say how much.

Senator ANDREWS. It is not outside the realm of possibilities that a thoughtful analyst would say that if these tax reductions were pared by, say $200 billion of the $750 billion, that interest rates would be 4, 4.5, 5 percent less than they are today? It is clear the out years are scaring the pants off the economic forecasters who live in Wall Street and other caverns around this country.

Dr. RIVLIN. Yes.

Chairman DOMENICI. Senator Andrews, you are welcome to go into substance with her today, but today's hearing is for the purpose of oversight of CBO's budget.

Senator ANDREWS. Yes, I am going to get into that. However, I thought this question was important enough to be asked now. I think Dr. Rivlin's answer is an extremely important one, because this Budget Committee could well recommend tax increases to the President, who seems to hesitate and shy away from saying we need a tax increase to get things under control.

Dr. Rivlin, if you could give us, if you have staff enough to give us, a more definitive estimate as to what impact a $200 billion reduction in the tax bill would have on interest rates, we then could tell the President, "Look, you are against increasing taxes, why not do one of your wonderful television appearances and go in front of the American public and say, you know, maybe we goofed on this tax cut." While we are stimulating the economy we maybe should have stimulated $200 billion less, and suggest to the Finance Committee, and House Ways and Means Committee to take it back and redesign it.

Now, if we can get this information from you, if you have staff enough to tell us that a $200 billion cut in the tax cut would accomplish this, then we could be aware of a possible solution to our economic troubles. Is a figure like this something that we could obtain? Or is it something that is always going to be out there escaping us?

The difficulty that I have as a member of the Budget Committee, is going on the floor of the Senate, trying to convince my colleagues that they ought to find a solution to the deficit problem when they are talking about figures from different sources.

Dr. RIVLIN. I wish I could tell you that, if we had more people, I could give you the right answer, but I cannot.

In these documents, we have given you, as much as anybody could reasonably say about the impacts of a larger deficit on interest rates. It is clear that Federal deficits of the magnitude now being projected will have a strong upward pressure on interest rates, that the Federal Government will be absorbing a large portion of credit in general, and that there is danger of crowding out private investments. We have gone into that at some length.

Unfortunately, with the state of the art in economics, it is not possible to say definitively that $200 billion gives you x number of points on the interest rates. If we did that, we would be lying. We do not know.

Senator ANDREWS. Without that kind of guideline, it is extremely difficult to make the persuasive type of case we need to make at the White House or with our colleagues.

Dr. RIVLIN. I appreciate that. And I wish I could help more.

INFLATIONARY IMPACT STUDY OF THE FARM BILL

Senator ANDREWS. Let us get back to the additional 10 staff members, as I understand we gave you for the Inflation Impact Group Study last year. In the write up on the farm bill, which everybody says has a good deal to do with inflation, I was appalled at the information that we were told was coming from the Congressional Budget Office on how we should charge up various facets of the farm bill. The information that we were given was that a commodity loan should be scored in exactly the same way as a target price payment is scored appears to be incorrect. Commodity loans, however, are returned to the Treasury virtually 100 percent. The target price is an outflow that never does come back. Did you put any of these inflationary impact study people on the trail of trying to iron out what happens in a price farm support program so that we could get better backup information than that which we have?

Dr. RIVLIN. We worked on the inflationary impact of pieces of the farm bill. Peanuts and sugar were the two pieces that I remember particularly.

On this scoring problem, I am not familiar with it, and let me ask Jim Blum if he would like to comment on it.

Mr. BLUM. No.

Senator ANDREWS. If you could, please ask somebody to compare the way we score target price and loan price. Right now in the case of wheat we have a 50 cent gap between the two.

We suggested that the loan rates should be moved closer to the target price, and it would save the Government considerable money. We were told that we cannot do that because the CBO scores one like the other. We know this stuff backwards and forwards, and I am wondering whether the lack of adequate information attributed to your shop is simply because you do not have the manpower, to dedicate to that particular item, or whether you thought it was a low priority item.

I thought maybe a little more expertise might help. I would also appreciate, Mr. Chairman, if you could, Dr. Rivlin, send me the inflationary impact study that CBO completed on the peanut and sugar programs.

Dr. RIVLIN. I would be happy to do that.

Senator ANDREWS. Mr. Chairman, thank you.

[The following was subsequently received for the record:]

INFLATIONARY IMPACT STUDY ON PEANUT AND SUGAR PROGRAMS

I. The Inflationary Impact of Titles VII and IX of the Agriculture and Food Act of 1981.

II. Since the 1920s, the U.S. Congress has enacted into law agricultural programs that have been designed to maintain farmer's income by limiting production of commodities and reducing agricultural imports. The Agricultural Adjustment Act of 1938 limits peanut production by establishing a national peanut acreage allotment. Under the act, only holders of allotments are allowed to grow and market peanuts. The national acreage allotment is apportioned to individual states where the allotments are distributed among farms on which peanuts have been previously grown. For each farm on which an acreage allotment has been established, a per acre yield is determined. The farm yield multiplied by the acreage allotment gives the farm base production poundage. The individual farm poundage quota for each crop year is equal to the farm base production poundage multiplied by a factor determined by the Secretary of Agriculture so that the total of all poundage quotas for a year will equal the national poundage quota for that year.

Title VII of the Agriculture and Food Act of 1981 extends the current law for peanut price support to the 1982 through 1985 crops by providing a lower minimum national poundage quota of 1,240,000 tons and an increased minimum quota loan rate of $596 per ton. The Secretary of Agriculture is required to make loans available for additional peanuts at a rate that will not result in the Commodity Credit Corporation (CCC) incurring a loss on the price support program for additional peanuts.

Title IX requires that the price of the 1982 through 1985 crops of sugar beets and sugar cane be supported through loans and purchases at a minimum level to attain a raw sugar price of approximately 18.0 cents per pound.

III. S. 884 was passed by the Senate on September 18, 1981, and action by the House is expected during the middle of October.

IV. Inflationary Impact: The inflationary impact will occur when consumers have to pay higher prices for sugar, peanuts, and the products that contain these commodities as ingredients. Total consumer expenditures for sugar and sugar products are estimated to increase by an annual average of $515 million for each year of the bill. Consumer expenditures for peanuts and peanut products are estimated to increase by an average of $104 million per year for each year of the bill. These higher costs will result in a rise in the general price level further contributing to inflation and will represent an annual average increase of 0.17 percent in personal consumption expenditures for food.

The loan rates for agricultural commodities effectively serve as a floor for the price farmers receive for that commodity. When the loan rate is established or increased above the prevailing market price, farmers have the incentive to pledge their commodities as collateral for the loans. Farmers will continue to put commodities under loan until the supply is sufficiently reduced to bring the market price up to the loan rate. Farmers will not redeem their loans until the market price is at least equal to the loan rate plus the interest cost.

Title VII establishes a minimum loan rate of $596 per ton for quota peanuts while the CBO current policy projection contains a minimum loan rate of $568 per ton. The Administration had proposed a minimum of $420 per ton. Title VII sets a minimum poundage for quota peanuts at 1.24 million tons, which is a 14 percent reduction from the current level of 1.44 million tons. The support price of $596 per ton becomes the domestic market price for 1982 crop edible peanuts and, as a result, consumers will pay about $96 million more for the farm value of edible peanuts and peanut products under the bill as compared to the CBO baseline estimate. An additional $8 million in costs would probably be passed on to consumers for the peanuts that are picked as unsatisfactory and crushed. The impact of these additional costs would be minimal in an aggregate measure of food costs because of the relatively small role peanuts play in total food expenditures. Nevertheless, this would add to the increase in the general price level and to inflation.

Title IX requires that the price of the 1982 through 1985 crops of sugar beets and sugar cane be supported through loans and purchases at a minimum level to attain a raw sugar price of approximately 18.0 cents per pound. Sugar loans cannot be made until October 1, 1982, and all loans would mature during the same fiscal year in which they were made. It is assumed that the President would use existing legislative authorities such as tariffs and quotas to maintain a domestic raw sugar price that would avoid forfeiture of loans or sale of sugar to the Commodity Credit Corporation. It is also assumed that the Secretary would operate the loan program in such a manner as to limit the probability of Commodity Credit Corporation from taking possession of sugar. Therefore, escalation of the loan rate would be at the minimum of 0.5 cents per pound per year. Also, if it appeared that there were a probability of default on nonrecourse sugar loans, the Secretary would require payment of loan interest. As a result of maintaining the domestic price of raw sugar at 18.0 cents per pound, the CBO estimates that the price of refined sugar will average 3 cents per pound higher than in the absence of a loan program. As a result of this higher refined sugar price, it is estimated that consumers will have to pay an average of $520 million for sugar and sugar products for each year of the bill.

Estimates of the increases in consumer prices that result from commodity loan programs are tenuous at best. In the short run, prices are generally higher than if there were no loan program. However, over longer periods of time, prices are generaly more stable. Commodity loan programs help maintain domestic production capacity, which would help offset price increases that occur during periods of world production decline. Sugar is an especially volatile commodity. The price for sugar rose from 21.61 cents per pound during April of 1980 to 41.09 during October of 1980, an increase of 90 percent, but declined to 14.66 cents per pound during May of 1981.

V. Estimation Methods and Assumptions: The higher loan programs will be implemented during August of 1982 for peanuts and during October of 1982 for sugar. The higher loan rate for quota peanuts will increase the average price received by farmers for 1982 crop peanuts by 3.2 cents per pound. For the 1983 through 1985 peanut crops, the average price will be 3.0, 2.9, and 2.8 cents per pound higher, respectively. Increases in the price of peanuts will be fully passed through to consumers.

It is assumed that the President would use his authority to raise import fees enough to maintain the domestic raw sugar price high enough to prevent forfeiture of sugar loans. The increase in duties and fees under the bill more than offsets declines in imports and, consequently, duty and fee revenues are projected to increase. The assumption is made that payment of interest would be required if a sugar loan is not redeemed. Domestic production of beet and cane sugar declines gradually in the CBO base projection. Domestic production declines, but at a slower rate with the loan program. World sugar prices are projected to increase gradually during the next four years. Domestic consumption of sugar was calculated assuming a demand elasticity of −0.16 with regard to price.

The sugar industry is very difficult to analyze because there is no known or constant structure for the world sugar economy. The methodology chosen to analyze the inflationary impact of the proposed price support program is subjective since sugar data does not readily lend itself to objective statistical analyses. The most important aspect of an analysis is the assumption used since essentially the conclusions follow directly the assumptions made. The assumptions used in the enclosed inflationary impact statement are rather stringent and portray a specific high cost option.

INFLATIONARY IMPACT

[By fiscal years and millions of dollars]

	1983	1984	1985	1986
Increase in consumer expenditures for:				
Peanuts	104	95	91	87
Sugar	531	522	510	498
Total	635	617		
Percent increase in personnal consumption expenditures for food:				
Total	0.16	0.15	0.14	0.13

USEFULNESS OF STUDIES

Chairman DOMENICI. Thank you, Senator Andrews.

Let me suggest, Dr. Rivlin, that one of the areas that I am certain you have to be constantly worried about is whether or not the studies that are done are really useful. I am not trying to manage CBO, but it would appear to me that you ought to make some serious efforts to find out just how useful they are. I do not even know how you would do that, but I think we could get into a pattern where everybody in the Congress just asks CBO for everything. Obviously, you have a very diverse staff, extremely professional, and you cannot turn people down just because you want to turn them down. But I think we are going to run into the problem that you are going to have an impact everywhere—including authorizing bills—as budgeting gets to be understood. And nobody even cared about that 5 or 6 years ago.

What was an authorization bill? If it did not have any budget impact, forget it. But now, they are even asking about authorization bills, which is interesting and exciting, and these questions certainly ought to be answered. But, I think you ought to make an effort to see how useful these analyses are, even if it would require that you come back to us, or when you go to Appropriations, and say that there may be some limitation on CBO becoming a general purpose information agency around this place.

Dr. RIVLIN. We would be happy to do that. We have done some of that. It is hard to define useful. There are some indicators. One is that a study is cited in debate on the floor.

If you flip through almost any Congressional Record, unless the debate is on some totally nonbudgetary subject, you will see frequent references to budgetary items and to CBO analysis. Citations are made on both sides of the issue. That seems to be evidence that somebody is reading our materials, somebody is citing them in debate.

I think that the main way that we have impact is in raising the consciousness of the Congress, if I may use this phrase, about costs at all levels. And that has changed dramatically over the period that you and I have been working on the budget. There is just much more frequent reference, often with a citation to the CBO, to what does this cost?

COSTING OUT APPROPRIATIONS BILLS

Chairman DOMENICI. Now, let me move down to the very difficult area of costing out appropriations bills.

You know, we sit up here and go through our budget resolutions, and we are interested in both budget authority and outlays. Basically when we draw that bottom line and say the deficit is $55 billion, whereas some of your work predicts $150 billion, we are anticipating outlays because we do not anticipate deficits on budget authority the way we handle it. It is amazing. And it came to light most forcibly when we had that last continuing resolution battle with the Congress, House and Senate, that appropriators did not appropriate outlays. They appropriate budget authority.

Dr. RIVLIN. That is right.

Chairman DOMENICI. Now, that is fine. I am not here infringing on anybody's prerogative or committee's authority. But we are even told frequently that they do not know what the outlays are. It does not even carry any weight in the debates. We budget authority. I mean we appropriate budget authority.

Now, what is CBO's role under existing law with regard to that, and do you have any suggestions as to how we may get a better handle on this?

I will say that you have already told me, and I am very pleased, that the Appropriations Committee in the Senate is seeking some help from CBO, with reference to costing out the President's budget. That is a first, I think, this early and in its overall sense. I know eventually we are going to have to get a better handle on outlays. There are many suggestions, but none of them seem very practical to me at this point. But perhaps you could address that issue.

Dr. RIVLIN. Our role is to estimate the outlays that will result from an appropriations bill. And we work closely with the Appropriations Committees on that. And we do produce the estimates. They are not always the same estimates as the Administration would have, but our role is to produce those estimates.

Let me ask Jim Blum if he would like to comment a little bit on our work with the Appropriations Committees.

WORKING WITH APPROPRIATIONS COMMITTEES

Chairman DOMENICI. Mr. Blum, you probably know that Dr. Rivlin, in her statement, indicated that CBO is not required to provide 5-year cost estimate for bills reported by the Appropriations Committee.

Mr. BLUM. That is under section 403 of the Budget Act. But under section 308, the Appropriations Committees are required to consult with us as to what outlays will result from an appropriation of new budget authority. We provide the committees with a 5-year spendout estimate of the outlays that would result on each and every appropriation bill, supplemental resolution, anything that the Appropriations Committee does. We do get involved in estimating the outlay impact. We provide those to the Committee, typically through computer tabulations or telephone calls or staff memoranda or the like. We also provide, and have provided for some time, the staff of the Senate Budget Committee with special

appropriations bill tables that give the budget authority on outlays requested by the Administration—what each Appropriations Committee has done in the House and Senate—and track that through to the conclusion.

Chairman DOMENICI. Well, CBO does not have a lock on computers and they do not have peculiar proprietary interests in arriving at a reasonable parameter of spendouts which is attributed to budget authority.

Do not the committees of the Congress have the same capacity, if you start with the same baseline, can they not come out of an appropriations conference with an estimate of outlays, even if it is plus or minus X percent? As I understand it, they do not. They say, "We do not know!"

Mr. BLUM. Mr. Chairman, I do not know quite how to respond. I know I have personally spent all night in the Capitol doing an outlay estimate for an omnibus supplemental bill so the committee would know whether it was under or over the ruling budget resolution at that time. All I can say is——

Chairman DOMENICI. There is no reason for them not to?

Mr. BLUM. Absolutely not. We do provide outlay estimates continually, and I am not aware that we have ever missed an important bill.

Chairman DOMENICI. I am fully aware of the time you have spent and the people with you. I see you over there 2 o'clock or 3 o'clock in the morning on some of these occasions, at least during this past year.

Well, obviously Congress is going to get very concerned about outlays one of these days. There is no question about it in terms of how you control them versus the way we presently do it.

Mr. BLUM. If I may add, Mr. Chairman, I do think that your observation is correct in the sense that the Appropriations Committees in the past have put an emphasis on budget authority. They have not paid that close attention to the outlays that would result therefrom. But during the last year, my own experience was that the staffs of the Appropriations Committees in both Houses took a very keen interest in outlays. And we are working harder than ever with them now to coordinate how we can provide them with the estimates in a more timely fashion, in computer tabulations that will be more familiar from their perspective and the like.

SPECIAL STUDIES

Chairman DOMENICI. Thank you very much.

Dr. Rivlin, perhaps what you should provide for the record, is a list of the special studies you have done, let us say, in the last year with the name—from whom the request came—and just send it to us and make it a part of this record?

Dr. RIVLIN. Yes, we will be happy to do that.[1] We have already given you our publications list, which lists all of them. But we can easily give you the request you named.

Chairman DOMENICI. I understand there may be additional questions and there may be some additional statements.

---

[1] See p. 30.

So we will leave the record open for a week for any Senator who is not here for statements or questions, and we will get the questions to you as soon as possible. We will have additional 10 or 15 that the Chairman will submit. Answer them as soon as you can.

If there is nothing further, we stand adjourned.

[Whereupon, at 11:28 a.m., the Committee adjourned, subject to the call of the Chair.]

PREPARED STATEMENT OF ALICE M. RIVLIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE

Mr. Chairman and Members of the Committee, I welcome this opportunity to discuss with you today the activities of the Congressional Budget Office (CBO). I am pleased to have this dialogue as we examine together the varied responsibilities of CBO. I will review the following topics:

- o The legislative mandate of CBO;
- o The organizational structure--how it is designed to meet our legislative responsibilities and how it has evolved;
- o CBO's funding and staffing;
- o CBO's work products; and
- o New responsibilities for state and local cost estimates recently added to CBO's workload.

LEGISLATIVE MANDATE

CBO was established by the Congressional Budget and Impoundment Control Act of 1974 as a nonpartisan Congressional support agency; that is, it was to be analytically precise, professional, and politically unbiased. This is an extremely difficult task. We have taken this mandate seriously, however, striving in all of our work to present to the Congress well-considered information on important public policy matters and assiduously refraining from making recommendations.

The statutory tasks assigned to CBO by the act are: (1) to provide information to the two Budget Committees on all matters within their jurisdiction and such further reports as "may be nec-

essary and appropriate"; (2) to provide information to the appropriating and tax committees on request; and (3) on request of any other committee, to provide information compiled for the budget, taxing, and appropriating committees plus "to the extent practicable" additional requested information. In other provisions, the law specifically mandates scorekeeping; five-year cost estimates for bills reported from committees (except appropriating committees); outlay estimates for bills providing new budget authority; tax expenditure and revenue information; a report each year that projects new budget authority, outlays, and revenues for the next five fiscal years; and an annual report on budget options that includes a discussion of "national budget priorities, including alternative ways of allocating budget authority and budget outlays . . . taking into account how such alternative allocations will meet major national needs and affect balanced growth and development of the United States."

The Budget Act establishes the following committee priority for these services: first, the Senate and House Budget Committees; second, the Senate and House Appropriations Committees, the Senate Finance Committee, and the House Ways and Means Committee; and finally, all other Congressional committees. Interpreting the language of the act in coordination with both Budget Committees, CBO has defined the authority to request services to mean the Chairman or Ranking Minority Member of a full committee of jurisdiction, or the Chairman of a subcommittee of jurisdiction or a Budget Committee Task Force.

96-498 O - 82 - 3

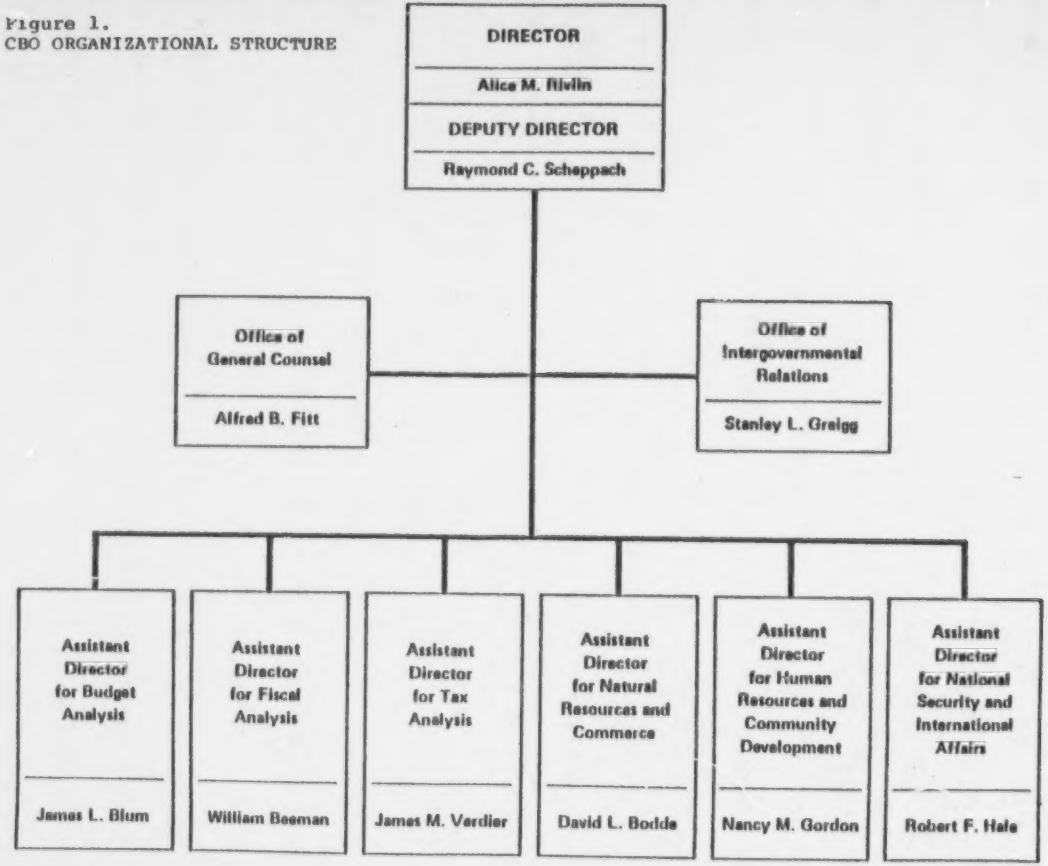
ORGANIZATION

In organizing CBO and in allocating its resources, we have had hwo criteria in mind. CBO must be organized so that it can, first, produce the diverse work products demanded by the enabling legislation, and second, be responsive to the demands of the Committees it must serve. Figure 1 shows CBO's organizational structure.

The Budget Analysis Division prepares the various types of bill cost estimates and spending projections called for in the act, prepares an annual overview of the President's budget, and maintains the scorekeeping system. The Tax Analysis Division has similar responsibilities for the preparation of tax revenue, receipt, and expenditure estimates, as well as scorekeeping for tax legislation. The Fiscal Analysis Division is responsible for preparing economic forecasts and assumptions that are used for all CBO budget estimates and projections, bill cost estimates, and issue analyses. The work of these divisions supports primarily the needs of the House and Senate Budget and Appropriations Committees for accessible, comprehensible budget and economic information.

The remaining four divisions--Natural Resources and Commerce, National Security and International Affairs, Human Resources and Community Development, and the General Government Unit of the Office of Intergovernmental Relations--analyze the likely costs and effects of alternative legislative approaches to budget issues. These program divisions provide key support, often early in the legislative process, to the budget and the authorizing committees.

Figure 1.
CBO ORGANIZATIONAL STRUCTURE



While the Budget Act defined which services CBO should provide for the Congress, only some experience with the new budget process could show what the relative demand for these services would be. Thus, while the basic organizational structure of CBO has remained constant since 1975, the resources given to each division have shifted as Congressional need for services has developed or changed. Table 1 shows the staff assigned to each division since 1976.

In fiscal year 1976, CBO's Tax Analysis, Budget Analysis, and Fiscal Analysis Divisions had 39 percent of the available staff positions; in fiscal year 1982, they have 54 percent of our staff resources. Breaking this down by division, since 1976 staff positions in Budget Analysis have increased by 66 percent, in Fiscal Analysis by 44 percent, and in Tax Analysis by 33 percent. We are currently in the process of adding resources to our scorekeeping function in Budget Analysis. Since the staff ceiling for CBO has been the same since fiscal year 1979, additional resources for these divisions have been provided by decreasing the staff of the program divisions, not by increasing the overall size of the agency. These adjustments have been made in response to increased Congressional demand for budget and cost estimates and economic analysis.

The allocation of resources to the program divisions has also been adjusted to reflect shifting Congressional interest in particular issues. For example, heavy demand for energy analysis caused

TABLE 1. CBO's CEILING ALLOCATIONS HISTORY (BY FISCAL YEAR)

DIVISION	1976	1977	1978	1979	1980	1981	1982	PERCENT CHANGE 1976-1982
Office of the Director	10	9	7	5	5	5	5	-50
Office of the General Counsel	3	2	2	2	2	2	1	-67
Office of Intergovernmental Relations	8	7	30	30	30	30	26	-21
Budget Analysis Division	47	67	70	72	72	72	78	+66
Fiscal Analysis Division	16	17	17	24	24	22	23	+44
Tax Analysis Division	12	14	14	14	14	14	16	+33
Natural Resources and Commerce Division	22	20	19	21	21	22	22	0
Human Resources and Community Development Division	30	27	26	27	27	28	26	-13
National Security and International Affairs Division	20	23	23	23	23	23	21	+5
Management Programs	25	22	-- a/	--	--	--	--	--
Total	193	208	208	218	218	218	218	+13

a/ Management Programs merged with Office of Intergovernmental Relations April 29, 1977.

us to increase our capabilities in that area in 1979, and strong interest in national security caused us to increase resources in that area in 1980. While we have decreased the relative allocation of staff to the human resources area, we have also focused more on analysis of social security issues, for example.

Although our divisions have different functions, they do not act independently of one another. The economic assumptions developed by the Fiscal Analysis Division serve as the basis for our cost estimating, projections, and issue analysis. The budget numbers developed by Budget Analysis are often dependent on the studies done in the program divisions. Finally, all numbers developed in connection with analytical studies are reviewed by the cost analysts in Budget Analysis. This crosswalk among our divisions is absolutely essential to our ability to provide accurate cost estimates and comprehensive analyses of alternative legislative strategies.

The interdependence of our organization is best exemplified by the report, Reducing the Federal Deficit: Strategies and Options, which we are releasing today. This paper describes several broad strategies that could be used to reduce the federal deficit, and analyzes numerous specific spending and tax options for implementing those strategies. For each option, it presents estimates of the outlay savings or revenue increases relative to CBO's baseline

projections. The Fiscal Analysis Division prepared the economic assumptions used in the report. The Budget Analysis Division prepared the baseline projections on the basis of these economic assumptions. The program divisions were responsible for developing the strategies and options. The cost analysts in Budget Analysis provided the savings estimates associated with each option. The Tax Analysis Division provided the analysis of revenue increases.

FUNDING AND STAFFING

As Table 2 shows, since 1979 funding for CBO has risen at considerably less than the rate of inflation. Our authorized staff level has been the same since that year. Paradoxically, these funding and staffing patterns have come during a time of extraordinary increase in the demand for CBO assistance and of rising costs for our primary tool--namely, computer processing.

The intense budget activity over the last year, which is continuing just as heavily into this year, has increased CBO's workload enormously. Our economic forecasts have been central to the budget debate, and we have been inundated with requests for additional fiscal analysis. Both this Committee and the House Budget Committee have greatly increased requests for budget projections and estimates, while other committees have significantly expanded their requests for analyses of both costs and program effects of legislative

TABLE 2. CBO'S APPROPRIATION HISTORY, FISCAL YEARS 1976-1983

Fiscal Year	Staff Positions	Dollar Amounts
1976	---	2,174,480 a/
1976	193	6,052,525 b/
1977	208	9,576,600 c/
1978	208	10,400,000
1979	218	11,368,000
1980	218	12,386,000
1981	218	12,519,000
1982	218	12,868,000 d/

a/ Senate Contingency Fund. No position ceiling established. Funding from February 24, 1975, to December 31, 1975.

b/ Funding for nine months from January 1, 1976, to September 30, 1976.

c/ First full-year funding for CBO.

d/ Does not include $408,000 supplemental request to cover costs of October 1981 cost-of-living increase nor the January 1982 pay cap increase.

changes. The cost estimates provided to committees during the 1981 reconciliation process alone were the equivalent of several hundred individual bills.

Our staff is dedicated to the success of the budget process and has worked very hard, often putting in exceptionally long hours into the night and on the weekends. I am extremely proud of how well the staff has performed under pressure and of the quality of the products we have produced.

WORK PRODUCTS

The provision of the budget estimates and economic and issue analyses called for by the Budget Act involves many different forms of work products. Over time the number of Congressional committees seeking CBO assistance has broadened considerably, the demand for work products has grown, and the forms of requested assistance have altered.

Scorekeeping. CBO provides the Congress with up-to-date tabulations of Congressions actions on revenue and spending bills. These tabulations are used to measure the status of Congressional budget actions against the targets or limits specified in the concurrent resolutions on the budget. Our scorekeeping estimates are derived from our analyses of the President's budget, baseline budget projections, and bill cost estimates. The focus of our scorekeeping

activity has shifted since 1975 from the periodic publication of scorekeeping reports to weekly provision of specially designed computer tabulations for use by the Budget and Appropriations Committees.

Analyses of the President's Budget. CBO reviews the budget estimates submitted periodically to the Congress by the Administration. The purpose of these reviews is to evaluate the accuracy of the Administration's budget estimates and, when necessary and appropriate, to reestimate the Administration's budget estimates using different economic assumptions and CBO's estimating techniques.

In addition to reviewing carefully the Administration's budget estimates, CBO prepares an overview analysis of the President's budgetary proposals. Our analysis of the President's 1983 budget will be available on February 25. Since 1980, at the joint request of the Budget Committees, we have also published an analysis of the Administration's proposed federal credit activity budget.

Baseline Budget Projections. Our baseline budget projections start with the budgetary decisions made by the Congress through its most recently completed session and show what would happen to the budget if no new policy decisions were made during the next five fiscal years. The projections provide a baseline, or benchmark, against which proposed changes in taxing or spending policies can be measured or assessed.

The growing use of budget projections requires CBO to maintain constantly a large multiyear data base. We now provide the Budget Committees with numerous sets of five-year projections throughout the year, usually in the form of computer tabulations. In addition, CBO publishes annually a five-year budget projections report. We are releasing this year's report, entitled Baseline Budget Projections for Fiscal Years 1983-1987, later today. In recent years, we have also published a separate report presenting five-year projections of tax expenditures.

Bill Cost Estimates. CBO prepares bill cost estimates for virtually all bills affecting the budget that are reported by Congressional legislative committees. The number of bill cost estimates supplied each year varies, depending on the amount of legislation being considered and reported. CBO usually provides 750 to 1,000 formal and informal cost estimates during each session. Formal cost estimates are transmitted by letter from the CBO Director to the Chairman of the reporting committee. Informal estimates are usually transmitted by telephone or staff memoranda. Gradually, we have seen our bill cost estimates become an integral part of the legislative process, with committees seeking costing assistance at every stage of the bill drafting process.

The Omnibus Budget Reconciliation Act consumed a large part of CBO's bill costing activity during 1981. This work was performed

for committees and subcommittees as they considered alternatives for fulfilling reconciliation instructions and as they participated in the subconferences that resulted in the final version of the 1981 reconciliation act.

In addition to cost estimates for bills reported by legislative committees, CBO also provides the Appropriations Committees with outlay estimates for all appropriation bills. These estimates are prepared for each appropriation account and are transmitted to the staffs in the form of computer tabulations.

Economic Forecasts. Each fiscal year, CBO provides the Congress with two economic reports. They are issued to coincide with Congressional consideration of the concurrent resolutions on the budget.

CBO does not maintain its own macroeconomic model of the economy. Instead, we use the major commercially available econometric models (Data Resources, Inc., Wharton Associates, Chase Econometrics, Townsend-Greenspan, and Evans Economics). We also rely on the advice of a distinguished panel of advisers representing a wide spectrum of economic views. Table 3 lists the membership of the current panel.

The economic report we are releasing today, The Prospects for Economic Recovery, examines the state of the economy and the outlook in an environment of monetary restraint and fiscal stimulus.

TABLE 3. CBO PANEL OF ECONOMIC ADVISERS

Barbara Bergmann
Department of Economics
University of Maryland

Barry P. Bosworth
Senior Fellow
The Brookings Institution

Dewey J. Daane
Frank K. Houston Professor
of Banking
Graduate School of Management
Vanderbilt University

Martin Feldstein
President
National Bureau of Economic
Research

William J. Fellner
Resident Scholar
American Enterprise Institute
for Public Policy Research

Alan Greenspan
President
Towsend-Greenspan & Company

Douglas Greenwald
New York City, N.Y.

Walter W. Heller
Regents' Professor of Economics
University of Minnesota

Walter E. Hoadley
Bank of America Center

F. Thomas Juster
Program Director
Institute for Social Research
University of Michigan

Lawrence R. Klein
Benjamin Franklin Professor
of Economics
Wharton School of Finance
and Commerce
University of Pennsylvania

Paul W. McCracken
Edmund Ezra Day University
Professor of Business
Administration
Graduate School of Business
Administration
University of Michigan

Lief H. Olsen
Senior Vice President
and Economist
First National City Bank
New York

Rudolph Oswald
Director
AFL-CIO Research Department

Joseph A. Pechman
Director, Economic Studies
The Brookings Institution

Rudolph G. Penner
Resident Scholar
American Enterprise
Institute for Public
Policy Research

George Perry
Senior Fellow
The Brookings Institution

Paul Samuelson
Institute Professor
of Economics
Massachusetts Institute of
Technology

(continued)

Continued

Charles Schultze Senior Fellow The Brookings Institution	James Tobin Sterling Professor of Economics Yale University
Robert Solow Department of Economics Massachusetts Institute of Technology	Michael G. Wellman Manager Research Department S.S. Kresge Corporation
Herbert Stein Resident Scholar American Enterprise Institute for Public Policy Research	Charles J. Zwick President South East Banking Corporation

Inflation Impact Analysis. CBO has provided the Congress with analyses of the inflationary impact of individual bills. Inflationary analyses have also been incorporated into major analytical reports, such as Agricultural Price Support Programs: A Handbook, An Evaluation of the Strategic Petroleum Reserve, Indexing with the Consumer Price Index: Problems and Alternatives, and Indexing the Individual Income Tax for Inflation. We have recently completed the initial development of an inflation scorekeeping report. This new report focuses on several major issues that the Congress will consider in this current session and analyzes their potential impact on inflation.

Program Analysis. Over the years, CBO has responded to requests from almost every committee of both Houses of Congress. These reports, prepared principally by our program divisions, have provided the Congress with the crucial budget-related information needed to make informed decisions on complex questions. Reflecting the priorities in the Budget Act of 1974, the Budget Committees request CBO's analytical services most frequently. Table 4 shows the number of requests from Congressional Committees since CBO began operations.

Through fiscal year 1981, CBO had completed over 400 such reports. While it is obviously not possible to review all of these

TABLE 4. SUMMARY OF REQUESTS FOR ANALYTICAL ASSISTANCE	Requests
House Agriculture Committee	4
House Appropriations Committee	21
House Armed Services Committee	18
House Banking, Finance and Urban Affiars Committee	16
House Budget Committee	105
House Education and Labor Committee	9
House Energy and Commerce Committee	2
House Interior and Insular Affairs Committee	2
House International Relations Committee	1
House Interstate and Foreign Commerce Committee	12
House Judiciary Committee	1
House Post Office and Civil Service Committee	5
House Public Works and Transportation Committee	3
House Rules Committee	1
House Veterans Affairs Committee	1
House Ways and Means Committee	22
House Ad Hoc Energy Committee	1

(continued)

TABLE 4. (continued)	Requests
Senate Agriculture and Forestry Committee	1
Senate Agriculture, Nutrition and Forestry Committee	1
Senate Appropriations Comittee	12
Senate Armed Services Committee	10
Senate Banking, Housing and Urban Affairs Committee	6
Senate Budget Committee	167
Senate Commerce Committee	2
Senate Commerce, Science and Transportation Committee	5
Senate Energy and Natural Resources Committee	15
Senate Environment and Public Works Committee	8
Senate Finance Committee	10
Senate Foreign Relations Committee	4
Senate Government Operations Committee	1
Senate Governmental Affairs Committee	4
Senate Interior and Insular Affairs Committee	1
Senate Judiciary Committee	3
Senate Labor and Human Resources Committee	10
Senate Labor and Public Welfare Committee	1
Senate Public Works Committee	1
Joint Economic Committee	6
Speaker of the House	1

(continued)

96-498 O - 82 - 4

TABLE 4. (continued)	Requests
Public Works Employment Act of 1976	1
Food Stamps Act of 1980	1
First Concurrent Resolution on the Budget, Fiscal Year 1982 (Senate)	1
Surface Transportation Assistance Act of 1978	1
Mandated by Congressional Budget Act of 1974	39
Annual Report: Mandated by Congressional Budget Act	50 a/

a/ Includes 39 budget issue papers released in fiscal years 1977 and 1978 as part of the annual reports for those years.

studies here, I would like to cite briefly examples of work from each of our program divisions. (We have provided the Committee with copies of our Publications List booklet, together with a supplemental list of reports that have been issued since the booklet was printed.)

A report prepared by the Natural Resources and Commerce Division, The Windfall Profits Tax: A Comparative Analysis of Two Bills, for this committee in November 1979, provided the only analysis available to the Congress that showed in detail the trade-offs between production of domestic oil and the level and structure of the excise tax levied. The report was frequently cited during the debate over these trade-offs.

CBO's An Evaluation of the Strategic Petroleum Reserve, issued in June 1980 at the request of the House Committee on Interstate and Foreign Commerce, provided the first evidence of the effectiveness of the reserve. The analysis was the basis of several legislative initiatives to mandate completion of the reserve.

CBO's analysis of the Department of Transportation's regulations implementing Section 504, transportation for the handicapped, prepared for the House Public Works and Transportation Committee, was the basis for the House compromise on this issue. Urban Transportation for Handicapped Persons: Alternative Federal Approaches was the central source for comparative estimates of the costs and savings for modes of transportation for the handicapped other than those mandated by Section 504 regulations.

CBO's report for this Committee, The Budgetary, Economic, and Energy Implications of Alternative Synthetic Fuel Proposals, was widely used during the debate over the nature of federal support for synthetic fuels. The analysis was instrumental in designing the final finance mechanisms for producers, and in limiting the ultimate budgetary impact of the synfuels program.

CBO has prepared several major reports on military manpower for the Senate and House Armed Services Committees that have helped to shape legislation in this area. Our report, The Selective Service System: Mobilization Capabilities and Options for Improvement, was widely cited in the debate on draft registration. CBO's study Analysis of the Military Survivor Benefit Plan, which presented alternative survivor benefit plans for military retirees, played a critical role in the drafting of legislation that was enacted by the 96th Congress. Work in this area was used also by the House and Senate Armed Services Committees, as well as by the two Budget Committees, when further changes were made during the 1981 reconciliation process. Several of the ideas raised by our report, Costs of Manning the Active-Duty Military, which was published at the joint request of the two Budget Committees, were incorporated in the defense authorization bill reported by the Senate Armed Services Committee during the second session of the 96th Congress. Our projections of the outlook for military recruiting and retention were cited during debate over last year's military pay proposals.

The Congress has also made use of our various analyses of the costs of military weapons. For example, a number of the issues analyzed in our paper, Shaping the General Purpose Navy of the Eighties: Issues for Fiscal Years 1981-1985, were reflected in Congressional action on the fiscal year 1981 defense budget, including providing long-lead funding for mine countermeasure ships and examining the possible role for diesel submarines. The analysis and cost estimates provided in Strengthening NATO: POMCUS and Other Approaches led both the Senate and House Appropriations Committees to enjoin further steps in the program until the Committees could further study the issue in greater depth. More recent studies on these issues--U.S. Ground Forces: Design and Cost Alternatives for NATO and Non-NATO Contingencies and Costs of Prepositioning Additional Army Divisions in Europe (unpublished) were extensively cited in the 1981 defense hearings and the report of the House Appropriations Committee. All of these reports were prepared by CBO's National Security and International Affairs Division.

In 1977 CBO's Human Resources and Community Development Division completed a comprehensive analysis of the Food Stamp program, The Food Stamp Program: Income or Food Supplementation? Responding to continuing requests from both the House and Senate Agriculture Committees, as well as the Senate Appropriations Committee, we have

done extensive further analyses of the program. These studies have been central to Congressional changes in benefit and income eligibility standards that were adopted in the Food Stamp Act of 1977, amendments to it in 1979 and 1980, and the 1981 reconciliation act.

CBO's study, Federal Student Assistance: Issues and Options, examined the impact of federal assistance on enhancing equality of educational opportunity and analyzed various ways in which the federal student assistance effort could be altered to achieve varied objectives. This analysis, requested by this committee and the House Education and Labor Committee, was used extensively in drafting the reauthorization bill for the program in 1980.

Analyses of health issues have also contributed significantly to Congressional decisionmaking. For example, we have worked extensively on hospital cost containment, including two published papers: Controlling Rising Hospital Costs and The CBO Hospital Cost Containment Model: A Technical Analysis. Our studies--showing that the Carter Administration's estimates of savings from its proposal were too high--were used frequently by the House Ways and Means and the Interstate and Foreign Commerce Committees in mark-up on legislation and in House floor debate. Analyses of the Professional Standards Review Organizations (PSROs), prepared for the House Ways and Means Committee, questioned the cost effectiveness of the PSRO program and was used by the House and Senate Appropriations Committees in developing its funding levels. CBO staff mem-

bers also assisted the Subcommittee on Health and Environment of the House Interstate and Foreign Commerce Committee in preparing for mark-up of the Health Professions Education Assistance and Nurse Training Legislation in the spring of 1981. Many of the provisions of that bill were related to the information and cost analyses provided by our staff.

CBO's study, The Long-Term Costs of Lower-Income Housing Assistance Programs, which was requested by this committee, showed that eventual costs of the Section 8 new construction program in particular would probably be appreciably greater than had been anticipated in the budget. The paper identified several options for reducing the long-term costs by shifting toward a greater reliance on existing housing assistance and by increasing households' contributions toward their housing expenses. The Housing and Community Development Act of 1980 and the 1981 reconciliation act incorporated these strategies.

CBO's analysis of postal subsidies prepared by the General Government Unit has contributed to enactment of substantial reductions in the Senate-passed appropriations for 1981 and again in the 1981 reconciliation act. Similarly, a CBO study of civil service retirement and related testimony before the House Budget Committee added to debate that resulted in limiting federal pension adjustments to once rather than twice a year. CBO work on the railroad retirement program, culminating in a report issued last month, included preparation of the estimated effects of benefit and tax amendments contained in the 1981 reconciliation act.

CBO is frequently called on for testimony before Congressional committees on key legislative and budget issues. This testimony is often in connection with an ongoing or completed report, but frequently we are asked to prepare new analyses for such appearances. The number of such requests has increased in recent years, with CBO staff appearing before 39 hearings in fiscal year 1981. Preparing testimony constitutes a major portion of the workload of our program divisions.

Summarizing our work over just this past fiscal year, we responded to requests for reports from 11 Senate Committees and 9 House Committees and for testimony from 11 Senate Committees and 8 House Committees. This broad spectrum of committees is representative of a trend we have seen developing since CBO began to provide such services. In fiscal year 1976 through fiscal year 1978, the House and Senate Budget Committees accounted for well over 60 percent of the requests received by us. In contrast, in fiscal year 1981, requests from committees other than the Budget Committees represented almost 60 percent. I believe this shows an important contribution by CBO to the legislative process. Key budgetary decisions are often made by authorizing committees, which are increasingly relying on our assistance in analyzing both the programmatic impacts and the costs of various policy options as they develop legislative strategies. Moreover, much of our work with

the authorizing committees is to aid them in meeting their responsibilities under the Budget Act--both preparing their March 15 reports and developing legislative responses to reconciliation instructions.

A LOOK AHEAD

The budget season facing the Congress in the coming months will be an extremely busy one for all involved. Besides the heavy workload we have carried during this season in past years, CBO must now also begin to think about how best to carry out its new responsibilities, mandated under Public Law 97-108, to prepare state and local cost estimates for bills under consideration. We must begin this new undertaking at the start of fiscal year 1983. It will be a challenging assignment, conceptually more difficult than preparing the federal bill cost estimates that we now produce. To carry out this new duty fully, we will need to draw on a range of data-gathering and analytical capacities that go beyond those required by our current responsibilities. In our appropriation request for fiscal year 1983, therefore, we will be asking for eight additional positions; this request is consistent with the number we envisioned as necessary when we testified before both the Senate and the House on the feasibility of CBO's undertaking state and local bill cost estimates. Further, we will be requesting resources we will need to develop the essential data base and computer support capacities.

The present budget season is, of course, our immediate and most pressing concern. We stand ready to assist the Congress in dealing with the particularly difficult choices before it now. We have provided you today with copies of our annual report to the House and Senate Committees on the Budget. The report this year is in three parts, including The Prospects for Economic Recovery, Baseline Budget Projections for Fiscal Years 1983-1987, and Reducing the Federal Deficit: Strategies and Options. Shortly after release of the Administration's budget, we will prepare an analytical overview of it as well. As the session progresses we will endeavor to respond to your needs and those of the rest of the Congress to the best of our abilities.

WRITTEN COMMITTEE QUESTIONS TO DR. RIVLIN AND THE RESPONSES

QUESTIONS SUBMITTED BY SENATOR HOLLINGS AND CHAIRMAN DOMENICI

STAFFING

1. Question

How much turnover in staff has there been in the projections and cost estimates units of the Budget Analysis Division in the past year?

Answer

During 1981, a total of 11 analysts left the projections and cost estimates units, and 12 analysts were hired. The total number of analyst positions in these units during 1981 was 42. The turnover in these units during 1981 was about the same as experienced in previous years.

2. Question

Have you experienced any difficulties in attracting and retaining qualified individuals in these units?

Answer

We believe we have been very successful in attracting well-trained, good analysts to CBO staff positions. It is more difficult to find qualified individuals for positions that require significant analytical skills in specific program areas, such as knowledge of housing programs or agriculture programs. For most professional positions, however, detailed programmatic knowledge is not as important as good analytical, quantitative, and writing skills.

3. Question

Are any professional positions in the Budget Analysis Division currently vacant?

Answer

At the present time, we have 3 professional positions vacant in the Budget Analysis Division. These vacancies are in the following units:

Scorekeeping: 1
Defense Cost Estimates Unit: 1
Natural Resources Cost Estimates Unit: 1

4. Question

Since the pool of available individuals with budget knowledge is limited, is there any training program for new budget analysts, and if not, how are they brought up to speed?

Answer

We rely on the various units of CBO to provide on-the-job training for new analysts. We have found this to be most effective and it has not drained valulable resources.

5. Question

Your statement mentions flexibility between divisions to accommodate changing workloads. Does the same flexibility exist within the divisions, such as the Budget Analysis Division?

Answer

Yes. Staff positions have been reallocated within CBO divisions as workload changes.

COMPUTER SYSTEMS

1. Question

CBO is currently in the process of changing both its computer hardware and software vendors. Could you explain the need for these changes and the process by which new vendors were selected?

Answer

The CBO uses 13 different computer sources. Four of these are Federal computers, 2 are educational or nonprofit organizations, and 7 are commercial timesharing facilities. We have been using all of these computers for at least the past two years. The CBO generally relies on the computer centers to provide needed software. One of the reasons for the number of computer sources is the availability of software and we generally do not contract with software vendors. In the last year, however, we have purchased two software packages not available on the computers we use and have had these packages installed on the House Information Systems (HIS) computer. The first product was a database management system (DBMS) called ADABAS and the second, a set of analytical and modelling programs developed by the Massachusetts Institute of Technology (MIT).

The DBMS selection was accomplished via an exhaustive survey and evaluation of all available products. The GSA/Air Force technical computer facility, FEDSIM, was a consultant to CBO on this software selection. The initial review included 21 products which were screened to seven. After careful technical examination, a single firm was selected and then subjected to a three month prototype test.

The MIT TROLL selection was based on previous knowledge and use of the product by CBO staff and its use by other Federal and commercial firms. The cost of the product was $500.

2. Question

How do the costs and capabilities of the new system compare to the previous one?

Answer

The reasons for selecting new approaches to our computer needs include more efficient use of CBO staff and less expensive computer services.

The storage costs of our scorekeeping and projections applications are $33,000 to $45,000 each month. Our connect charges are approximately $10 per hour. By using the HIS computer our storage costs can be reduced to less than $1,000 per month and our connect charges to less than $3 per hour. In addition, the speed at which we can respond to requests will be greatly increased. Another major factor considered in moving some of our major applications to the HIS computer was reliability. The major computer service presently used will only warrant 95 percent availability. Their actual performance has been as low as 96 percent. During the first 12 months of the contract beginning March 1980, the commercial contractor had a 98.08 percent availability compared to 98.85 for HIS. In 1981, the contractor had an average availability of 98.4 percent compared to 99.3 for HIS.

3. Question

Were competitive bids sought for the new hardware and software? If not, why?

Answer

The CBO, upon the advice of the Senate Committee on Rules and the House Committee on Administration, adopted a policy of using Congressional computer facilities to the extent possible, provided that they were available, cost effective, and responsive. Therefore our decision to utilize the HIS computer to a greater extent is consistent with this policy.

In regard to the DBMS software selection, we did an exhaustive evaluation and used the technical expertise of FEDSIM as mentioned earlier. The TROLL selection was not a competitive purchase because of its uniqueness and the total cost of $500. This product was initially developed through federal grants and the cost to CBO generally reflects the production, documentation and maintenance costs of MIT.

CBO BUDGET

1. Question

Your budget request for fiscal year 1983 represents an increase of nearly 23 percent above fiscal year 1982 level. At a time when other agencies are being asked to hold their budgets constant or reduce them, what justifications can you give for requesting such a large increase?

Answer

Our total increased budget estimate for fiscal year 1983 of $3,076,000 is broken down as follows:

$700,000, 23 percent of the estimated increase, results from a newly legislated CBO responsibility to estimate the costs that state and local governments would incur as a result of federal legislation.

$1,212,000, 39 percent, represents anticipated ADP costs which would result from (1) price increases, (2) systems maintenance, and (3) increased demand.

$557,000, 18 percent, would be allocated to personnel and would allow us to fully fund our 218 authorized positions (something we have not been able to do in fiscal years 1980, 1981, and 1982), fully fund our intern positions, provide for merit increases at 2 percent of our current year's salary level, provide for an additional one-third of a person-year for consulting services, and provide for the related benefits.

$470,000, 15 percent, would provide for (1) maintenance and updating, (2) price increases, and (3) increased demand in our Systems, Data, and Model Development area.

Finally, $137,000, 4 percent, would provide for anticipated price increases, and restoration and replacement of prior levels in our office services area.

2. Question

In preparing your fiscal year 1983 budget, did CBO use zero-based budgeting or similar methods which rank program needs and resources in the order of importance to the agency's mission? If so, could you supply to the commitee your analysis?

Answer

As a support agency of the Congress, CBO budget planning and execution is a reflection of the demands of the various committee users. The make-up of the current year budget is 58 percent for personal salaries and benefits; 29 percent for Automatic Data Processing; 10 percent for utilities, supplies, equipment, etc.; and 3 percent for systems, data, and model development. There was only a 1 percent growth of our fiscal year 1981 budget over fiscal year 1980, only a 2.8 percent growth of our current year appropriation over fiscal year 1981. At the close of fiscal year 1980 only 0.7 percent of our funds were unused and at the close of fiscal year 1981 only 1.7 percent. Thus, for the fiscal years 1980 and 1981, and thus far in 1982, the budget has been nearly level line.

Our fiscal year 1983 budget is essentially the fiscal year 1982 level of oeprations plus (1) full funding for the currently authorized staff of 218 with associated benefits and merit increases, (2) projected cost increases, (3) anticipated demand for increased ADP and systems operations as well as systems maintenance, (4) a small amount to restore prior levels of supplies and equipment, and (5) sufficient funds to implement the Congressional mandate that CBO estimate state and local costs of certain federal legislation.

The process of developing the fiscal year 1983 budget was participated in by the Director, Deputy Director, Director of Intergovernmental Relations, and each Division head in reviewing in detail both prior and current year operations and anticipated demand in fiscal year 1983.

COST ESTIMATES ON APPROPRIATIONS BILLS

1. Question

We understand the Senate and House Appropriations Committees are increasing their reliance on CBO. Please describe the added work you will now be doing for the Appropriations Committee.

Answer

The added work consists largely of an increased level of support in providing outlay estimates for Committee actions on appropriations requests. The increased level of support includes the provision of outlay estimates for each program category included in the Committees' comparative statements of budget authority (CSBA's) which are incorporated in Committee reports on individual appropriation bills. It also includes direct computer data links with both the House and Senate Appropriations Committees for the purpose of transmitting budget data back and forth between Committee and CBO staff.

2. Question

What if any differences have there been in the way CBO prices Appropriation bills and its pricing of bills originated by other committees?

Answer

There are no methodological differences in CBO's pricing of appropriation bills and other bills. From time to time, however, there may have been differences in CBO's pricing of appropriation bills from other bills because of Budget Committee delay in adopting reestimates before a second budget resolution is approved. These delays have caused CBO to maintain two separate data bases for scoring Congressional budget actions. It is possible that scoring differences arise in such situations, since CBO's bill cost estimates for nonappropriation bills are usually based on the latest available information.

ORGANIZATIONAL STRUCTURE AND WORKLOAD

1. Question

You refer in your statement to increased demands on CBO and to the fact that you have had no increase in staff since 1979. Do you believe CBO should be relieved of some of its present responsibilities if its staff is not permitted to grow? Which of CBO's current roles do you consider least essential?

Answer

At present, CBO is able to fulfill all of its responsibilities with its current staff. We are able to do this by hard work, long hours, and a constant focus on ordering the priority of our tasks based upon Congressional needs and schedules. If the level of demands increases while the staff size remains constant, however, we will be hard-pressed to maintain

our current level of service and responsiveness to the Congress. Some of our tasks may then have to be reconsidered. It would be necessary for CBO to explore with the Budget Committees and the other Congressional committees which of CBO's services are less critical to the Congress.

2. Question

Are all of CBO's divisions working at the same intensity? Are some divisions overloaded while others are not so busy? Do you have plans to rectify any imbalance?

Answer

Overall, CBO's divisions all work at approximately the same level of intensity. At times the demands on one division will be greater than another because of particular Congressional activity. But this evens out over the course of a year. If we do observe any imbalance, we shift resources to correct the situation. For example, this year positions were shifted into our Budget Analysis, Fiscal Analysis, and Tax Analysis Divisions.

WORKLOAD GROWTH

1. Question

On page 8 of your statement you say there has been an "extraordinary" increase in the demand for CBO assistance during the past 3 years. Can you provide us some indicators of that increase in demand?

Answer

The Budget Analysis Division accounts for roughly two-thirds of the total amount of funds spent by CBO for computer services. The volume of computer tabulations produced by this division has grown sharply, especially as a result of increasing use by the Budget Committees of budget projections. During fiscal year 1981, over 3.5 million pages of computer tabulations were produced from the scorekeeping and budget projections data systems. On an average day during 1981, over 200 million characters of budget data and related data were maintained for immediate on-line access in these two major computer data systems and nearly 15,000 pages of computer tabulations were produced. This is more than double the volume of data maintained and printed in fiscal year 1977.

96-498 O - 82 - 5

PRESIDENT'S FEDERALISM INITIATIVES

1. Question

In the past, CBO has had considerable difficulty in producing timely and accurate analyses of the impacts of budget alternatives on state and local governments. In other words, we have frequently not had the benefit of CBO projection data on the state and local grant portions of Federal programs or data indicating the impact of possible budget actions on state and local governments and on regions of the country. Are you making progress in solving this problem? Do you agree that CBO timeliness and accuracy on this front is now especially critical given the fact that Congressional committees will be examining the President's Federalism initiative and possible changes to it?

Answer

In the past, CBO has provided the Congress with estimates of bills on state and local government spending. However, since the Budget Act did not require such estimates, since substantial resources are needed to prepare them, and since only about 10 percent of federal legislation has a significant impact, we have not given such analysis the same level of priority as many of our other tasks. Last summer during the debate on the 1982 Omnibus Budget Reconcilation Act, we were unable to meet the Congressional demand for this type of analysis because of the volume of requests during a several-day period. Other than that, however, we do not believe we have had difficulty in assisting the Congress with this work.

Given the importance of the federalism issue as well as the recently enacted legislative mandate for CBO to prepare fiscal notes on the impact of federal legislation on state and local governments beginning in fiscal year 1983, we are adjusting our internal resources so that we will be better able to assist the Congress in this area. We have also requested additional resources to carry out our new legislative mandate. Furthermore, we are currently working on a major study on federalism and are building data bases on state and local spending that should greatly enhance our capability in this area during the next year.

SUPPORT FOR INDIVIDUAL MEMBERS

1. Question

In discussing Committee priorities on page 2 of your statement you make no reference to the provision in subsection 202(c)(2) of the Act that CBO provide information to individual members of Congress. To what extent have individual members requested CBO's help? Has CBO typically provided the requested help?

Answer

The Budget Act establishes the following Committee priority for CBO services: first, the Senate and House Budget Committees; second, the Senate and House Appropriations Committees, the Senate Finance Committee and the House Ways and Means Committee; and finally, all other Congressional committees. It further states that information is to be provided to Members of Congress "to the extent available." Interpreting the language of the Act in coordination with both Budget Committees, CBO has defined the authority to request services to mean the Chairman or ranking minority Member of the full committee of jurisdiction, or the Chairman of a subcommittee of jurisdiction or a Budget Committee Task Force. CBO does not respond to requests for original research from individual Members. However, all Members are provided with copies of CBO reports when they are published. Furthermore, any Member requesting information is assisted to the extent CBO has the information on hand. As Members of Congress have become aware of the limitations on CBO assistance, the requests for original research have diminished. Roughly estimated, we receive fewer than 50 such requests a year. On the other hand, the demand for CBO published reports is extremely high and we estimate that in addition to our routine distribution of individual reports, we respond to 50-75 requests a week from Members' offices.

SCOREKEEPING PROCEDURES

1. Question

The Office of Management and Budget, the Congressional Budget Office, and Congressional Committees sometimes use inconsistent and conflicting information about such things as budget baselines and the costs of pending legislation. Do you see any way to minimize this problem?

Answer

There probably will always be differences in budget estimates between the Executive Branch and the Congress as long as the Congress chooses to use its own economic assumptions and to rely on CBO's independent estimating capabilities. All administrations tend to use relatively optimistic economic assumptions for purposes of budget estimates. There is also a tendency to overestimate budgetary savings to be accomplished through legislative or administrative means, and to overestimate spending for new or expanded programs. The CBO usually produces more consensus-type economic forecasts and assumptions, and more realistic budget estimates derived from historical experience.

2. Question

OMB is now establishing a scorekeeping unit. What if anything has been done to provide for coordination between CBO's scorekeeping unit and this new OMB unit?

Answer

OMB staff have been consulting with CBO staff and with Appropriations and Budget Committee staff for purposes of establishing closer working relationships in the exchange of budget data. OMB will have to make a considerable effort to develop automated data systems and procedures to achieve a level of capability comparable to that already existing in the Congress for tabulating actions on the budget. CBO will provide techincal assistance to OMB to the extent possible without detracting from CBO's work for the Appropriations and Budget Committees. Emphasis will be placed on minimizing structural or definitional differences in budget data and on improving the transmission of budget data between CBO and OMB.

ECONOMIC PROJECTIONS

1. Question

How basically does CBO produce its economic forecast?

Answer

CBO's economic forecasts rely on a combination of model simulations and the judgment of our staff with the consultation of our panel of

economic advisors. The forecasts are conditional--conditional on the monetary and fiscal policies assumed for the forecast period; conditional on the assumptions made with respect to external forces such as the OPEC cartel, and the world demand and supply balance for food; and conditional on the assumed structural and behavioral relationships within the United States and world economies.

The first step in the forecasting process is an examination of the forecasts of the various models subscribed to by the CBO (currently, the DRI, Wharton, Chase, Evans, and Townsend-Greenspan models) using a consistent set of policy and other assumptions. The tax and spending policy assumptions used by the commercial forecasters are replaced by CBO's estimates of "current policy" assumptions--that is, policy assumptions implicit in the latest budget resolution. Particular assumptions about monetary policy and food and fuel prices are also imposed. The resulting model forecasts are compared with other evidence--advance indications of the behavior of key variables derived from surveys of consumer and investment plans and data on orders and inventories, among other things, and independent work done by CBO and other economists on the structure of the economy; on productivity growth; on the nature of the relationships among money, interest rates, and economic activity; on the relationships among inflation, effective tax rates, and incentives to work, save, and invest; and on changes in the regulatory environment for both the nonfinancial and the financial sectors of the economy. The model simulations and the other information about the outlook are then blended together to form the forecast.

Near the end of the process, the forecast is reviewed by CBO's panel of outside experts, who represent a wide range of economic and political viewpoints. Moreover, the CBO solicits and takes into consideration the comments of the staffs of the Budget Committees before the forecast is made final.

CBO is wary of carrying an economic forecast beyond eighteen months to two years. But a set of five-year economic assumptions is needed by the Budget Committees for out-year costing of the budget. In the early years of the budget process, the long-range economic assumptions represented projections consistent with the stated goals of the Budget Committees as to inflation, unemployment and economic growth. The resulting economic and budgetary estimates for out-years generally erred on the optimistic side. In recent years, the Budget Committees have insisted on more realistic longer-term estimates of total spending, total receipts, and the deficit based on more realistic longer-range economic projections. This is an extremely difficult task: the eighteen-month to two-year forecasts are subject to substantial margins of error; for periods further into the future, economic projections are subject to far greater uncertainty. Given the unsatisfactory state of the art of long-term

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Human Resources and Community Development Division (continued)	
Long Term Costs of Rural Housing Programs (Explains current budget treatment of rural housing programs and describes ways in which full federal costs are obscured; estimates long-run costs of providing rural housing under a variety of assumptions about economic conditions and program operations)	Senate Budget Committee
Employment and Retirement for the Elderly (Investigates issues relating to employment of elderly, including retirememt labor market implications of various employment scenarios and federal options for facilitating employment of the elderly)	Senate Budget Committee
Social Security: Long Run Issues and Options (Examination of the following options to decrease the cost of social security system over the long term: increasing the age of retirement; changing the benefit computation formula; and changing the method of indexing benefits)	Senate Budget Committee
An Analysis of the National Health Care Reform Act of 1981 (Analysis of the competitive aspects of H.R. 850, submitted as part of testimony before the House Ways and Means Committee)	House Ways and Means Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Management Programs/Office of Intergovernmental Relations	
The Railroad Retirement System: Benefits and Financing (Analyzes options for reducing RRS outlay and assuring solvency, and aligning the system with private sector practices by means of three benefit reduction strategies)	Senate Labor and Human Resources Committee
Budgetary Impact of Shifting Certain Federal Services to Contracts with Private Sector (Analysis of five-year budgetary impacts of shifting services now performed by federal employees to service contracts with the private sector)	Senate Appropriations Committee
National Security and International Affairs Division	
Naval Surface Combatants in the 1990s: Prospects and Possibilities (Assesses the likely size capabilities and role of the naval surface combatant force in the 1990's; examines alternative shipbuilding programs and estimates their budgetary impact)	House Armed Services Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Accrual Accounting for Military Retirement Pay (Describes the proposed accounting revisions, notes their advantages and disadvantages and estimates their effects on the federal budget)	House Appropriations Committee
U.S. Army Modernization: Its Affects on Readiness (Analyzes issues relating to U.S. Army readiness, particularly operations and maintenance budget requirements associated with different rates of modernization)	House Appropriations Comittee
The Benefits and Costs of the EXPORT-IMPORT Bank Loan Subsidy Program (Examines the costs and benefits to the United States of EXIMBANK's loan subsidy program)	House Banking, Finance and Urban Affairs Committee
Analysis of Military Manpower Requirements (Estimates the possible future size of the armed forces consistent with various assumptions about how to accomplish U.S. defense commitments)	House Appropriations Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Strategic Command, Control, and Communications: Alternative Approaches to Modernization (Study of the relative costs and effectiveness of several approaches to upgrading the C3 system)	House Appropriations Committee
Assessing the Readiness Additions in the Reagan Budget (Assesses the spending increases for readiness-related items in the Reagan Administration's defense budget revisions for fiscal year 1981 and 1982)	Senate Budget Committee
Costs and Benefits to the United States of the NATO Infrastructure Program (Examines the operation of the NATO infrastructure program and assesses its costs and benefits to the United States)	Senate Budget Committee
U.S. Economic Assistance to Less Developed Countries: The Roles of Bilateral and Multilateral Aid (Reviews the distribution of bilateral and multilateral aid by region and by purpose)	House Banking, Finance and Urban Affairs Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Costs of Deploying the MX Weapon System (Examines cost of deploying baseline MX system in terms of constant and current dollars; examines implications of increased Soviet threat for MX costs)	Senate Appropriations Committee
Military Educational Benefits: Proposals to Improve Manning in the Military (Presents preliminary findings of forthcoming report on military educational benefits)	House Armed Services Committee
Costs of Alternative Military Manpower Strategies (Assesses costs and effects of alternative manpower procurement strategies, including continuation of the all-volunteer force, a return to selective conscription and some form of universal or national service)	House Armed Services Committee
Improvements in Force Manning Under Alternative Pay Raise Proposals (Describes the effects on enlisted recruiting and career retention of the House Armed Services Committee and Senate Subcommittee versions of the fiscal year 1982 military pay raise bill)	Senate Armed Services Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Conventionally Armed Guided Weapons: Budgetary Implications of Selected Systems Currently Under Development (Examines the impact on budget uncertainties of the methods employed in costing systems development, including accuracy exhibited in the past; attention will be given to additional costs associated with deployment, history of performance of selected systems will be examined)	House Armed Services Committee
Building a 600-Ship Navy: Costs, Timing, and Alternative Approaches (Analyzes the shipbuilding requirements of the proposed naval force expansion program, assesses related ship procurement and operating costs and examines alternative force modernization and expansion strategies)	House Armed Services Committee
Building a 600-Ship Navy: The Cost of Adding Carrier Air Wings (Analyzes the aircraft procurement requirements of the proposed naval force expansion; assesses the related costs and examines alternative naval aircraft modernization and expansion strategies)	House Armed Services Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Office of the Director	
The Federal Financing Bank and the Budgetary Treatment of Credit Activities (Paper explains why the bank was established and what it does, examines the problems created by the budgetary treatment of some of the FFB's transactions and alternative solutions to those problems)	House Budget Committee
Conference on the Economics of Federal Credit Activity: Part II (Compilation of the papers prepared for the Conference on the Economics of Federal Credit held in April 1980)	House Banking, Finance and Urban Affairs Committee/House Budget Committee Task Force on Budget Process

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981

Division and Project	Requester
Tax Analysis Division	
Tax Incentives for Historic Preservation (Series of memoranda analyzing various alternative proposals for encouraging preservation of historic buildings)	House Ways and Means Committee
The Marriage Tax Penalty (A comparison of the Administration tax cut and proposals to reduce marriage penalties)	House Ways and Means Committee
Small Issue Industrial Revenue Bonds (Examines the origins, current volume and extent of small issue Industrial Revenue Bonds use, potential growth of the market, and effects of small issues on investment and on federal revenues)	House Ways and Means Committee
A Review of the Accuracy of Treasury Revenue Forecasts, 1963-1978 (Reviews the accuracy of the Treasury Department's estimates of aggregate receipts and also of its estimates of the effect of significant changes in the tax law over the period of 1964-1978)	Joint Economic Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Fiscal Analysis Division	
The Productivity Problem: Alternatives for Action (Analyzes reasons for the recent slowing in productivity growth and examines a wide range of policies aimed at reversing the trend)	House Budget Committee
Natural Resources and Commerce Division	
Fuel Economy Standards for New Passenger Cars After 1985 (Examines potential fuel-economy improvements resulting from increased application of existing technologies and the associated benefits and costs)	Senate Commerce, Science and Transportation Committee/Senate Energy and Natural Resources Committee
Financing Nuclear Waste Disposal (Analysis of funding issues; distribution cost uncertainties; fee collection mechanisms and budgetary treatment of revenues and expenditures for disposal)	Senate Energy and Natural Resources Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Natural Resources and Commerce Division (continued)	
Public Transportation for Handicapped Persons: An Analysis of Proposed Legislation (Analysis of three alternative proposals pending before the Congress that would offer localities discretion in meeting the needs of handicapped persons)	House Public Works and Transportation Committee
Managing Oil Disruptions: Issues and Policy Options (Analysis of options to mitigate the negative effects of an oil disruption)	Senate Energy and Natural Resources Committee
Food and Agriculture Policy in the 1980s: Major Crops and Milk (Reassesses existing crop commodity programs and examines some broad alternatives toward which the Congress might direct policies in the 1980s; also reevaluates the dairy support program in light of rising federal outlays)	Senate Agriculture, Nutrition and Forestry Committee
The Utility Industry and the Clean Air Act (Analysis of the effects of the Clean Air Act on the production and utilization of energy from coal, synfuels and utilities)	Senate Environment and Public Works Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Natural Resources and Commerce Division (continued)	
Financing Options for the Strategic Petroleum Reserve (Reviews current status of SPR and discusses financing options in light of the following issues: integrity of federal control, budget impact, speed of oil acquisition, capital market impacts, foreign experience and reserve depletion)	House Energy and Commerce Committee
Effects of Immediate Decontrol Summarizes the budgetary and macroeconomic effects of President Reagan's decision to suspend price and allocation controls on domestic crude oil and of price and controls on gasoline and propane)	Senate Budget Committee
Review of the Financial Condition of the Highway Trust Fund (Reviews estimates of future Highway Trust Fund revenues and the implciations for the financial well-being of the system)	Senate Environment and Public Works Committee
The Productivity Slowdown: Causes and Policy Responses (Defines declining productivity; investigates some causes of productivity slowdown and discusses outlook for 1980s)	House Energy and Commerce Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Natural Resources and Commerce Division (continued)	
Service Impacts of Alternative Fiscal Year 1982 Funding Levels for Amtrak (Reviews cost of retaining the current Amtrak system and estimates the likely service impacts under three alternative fiscal year 1982 funding levels)	Senate Commerce, Science and Transportation Committee
Budget Analysis Division	
An Analysis of President Carter's Budgetary Proposals for Fiscal Year 1982 (Analyzes economic outlook for next two years and fiscal year impact of President Carter's budgetary proposals; examines major features of revenue and spending proposals for 1982 and compares them with past trends and current laws; has brief discussion of credit budget, off budget outlays and federal debt)	House Appropriations Committee
Federal Credit Activities: An Analysis of President Reagan's Credit Budget for 1982 (Reviews major proposed changes in federal credit activity during 1981 and 1982 and discusses the integration of credit budgeting into the federal budget process; has a function-by-function examination of the Administration's credit program estimates for 1981 and 1982)	House and Senate Budget Committees

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Budget Analysis Division (continued)	
An Analysis of President Reagan's Budget Revisions for Fiscal Year 1982 (Analyzes possible economic impact of Reagan budget revisions, examines major features of revenue and spending proposals for 1982 and presents CBO's reestimates based on alternative economic assumptions and on estimating methods and assumptions; analyzes in some detail major defense budget increases and reductions in other activities)	House Appropriations Committee
Supplemental Appropriations in the 1970s (Investigates the reasons for passage of supplemental appropriation bills during the 1970s and analyzes the possible impact of the Congressional Budget Act on the scope and magnitude of supplemental appropriation)	House Appropriations Committee
Paying for Social Security: Funding Options for the Near Term (Analysis of the short run financing issues for the Old Age and Survivors Insurance fund [OASI])	Senate Budget Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Human Resources and Community Development Division	
Protection From Catastrophic Medical Expenses: The Effects of Limiting Family Liability Under Existing Employee Insurance Programs (Examines the likely effects of legislation requiring employment-related health insurance programs to provide protection against catastrophic medical expenses)	House Ways and Means Committee
Federal Business Aid Programs: Issues, Effects and Options (Survey of direct federal programs to aid business)	Senate Banking, Housing and Urban Affairs Committee
Local Economic Development: Current Programs and Alternative Strategies (Analysis of trends in local economic conditions and survey of federal efforts to influence them)	House Banking, Finance and Urban Affairs Committee
The Impact of PSROs on Health-Care Costs: Update of CBO's 1979 Evaluation (Update to June 1979 paper; analysis parallels earlier evaluation in focusing on the program's effects on Medicare hospital utilizaion and costs)	House Ways Means Committee

96-498 O - 82 - 7

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Human Resources and Community Development Division (continued)	
Long Term Costs of Rural Housing Programs (Explains current budget treatment of rural housing programs and describes ways in which full federal costs are obscured; estimates long-run costs of providing rural housing under a variety of assumptions about economic conditions and program operations)	Senate Budget Committee
Employment and Retirement for the Elderly (Investigates issues relating to employment of elderly, including retirememt labor market implications of various employment scenarios and federal options for facilitating employment of the elderly)	Senate Budget Committee
Social Security: Long Run Issues and Options (Examination of the following options to decrease the cost of social security system over the long term: increasing the age of retirement; changing the benefit computation formula; and changing the method of indexing benefits)	Senate Budget Committee
An Analysis of the National Health Care Reform Act of 1981 (Analysis of the competitive aspects of H.R. 850, submitted as part of testimony before the House Ways and Means Committee)	House Ways and Means Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Management Programs/Office of Intergovernmental Relations	
The Railroad Retirement System: Benefits and Financing (Analyzes options for reducing RRS outlay and assuring solvency, and aligning the system with private sector practices by means of three benefit reduction strategies)	Senate Labor and Human Resources Committee
Budgetary Impact of Shifting Certain Federal Services to Contracts with Private Sector (Analysis of five-year budgetary impacts of shifting services now performed by federal employees to service contracts with the private sector)	Senate Appropriations Committee
National Security and International Affairs Division	
Naval Surface Combatants in the 1990s: Prospects and Possibilities (Assesses the likely size capabilities and role of the naval surface combatant force in the 1990's; examines alternative shipbuilding programs and estimates their budgetary impact)	House Armed Services Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Accrual Accounting for Military Retirement Pay (Describes the proposed accounting revisions, notes their advantages and disadvantages and estimates their effects on the federal budget)	House Appropriations Committee
U.S. Army Modernization: Its Affects on Readiness (Analyzes issues relating to U.S. Army readiness, particularly operations and maintenance budget requirements associated with different rates of modernization)	House Appropriations Comittee
The Benefits and Costs of the EXPORT-IMPORT Bank Loan Subsidy Program (Examines the costs and benefits to the United States of EXIMBANK's loan subsidy program)	House Banking, Finance and Urban Affairs Committee
Analysis of Military Manpower Requirements (Estimates the possible future size of the armed forces consistent with various assumptions about how to accomplish U.S. defense commitments)	House Appropriations Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Strategic Command, Control, and Communications: Alternative Approaches to Modernization (Study of the relative costs and effectiveness of several approaches to upgrading the C3 system)	House Appropriations Committee
Assessing the Readiness Additions in the Reagan Budget (Assesses the spending increases for readiness-related items in the Reagan Administration's defense budget revisions for fiscal year 1981 and 1982)	Senate Budget Committee
Costs and Benefits to the United States of the NATO Infrastructure Program (Examines the operation of the NATO infrastructure program and assesses its costs and benefits to the United States)	Senate Budget Committee
U.S. Economic Assistance to Less Developed Countries: The Roles of Bilateral and Multilateral Aid (Reviews the distribution of bilateral and multilateral aid by region and by purpose)	House Banking, Finance and Urban Affairs Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Costs of Deploying the MX Weapon System (Examines cost of deploying baseline MX system in terms of constant and current dollars; examines implications of increased Soviet threat for MX costs)	Senate Appropriations Committee
Military Educational Benefits: Proposals to Improve Manning in the Military (Presents preliminary findings of forthcoming report on military educational benefits)	House Armed Services Committee
Costs of Alternative Military Manpower Strategies (Assesses costs and effects of alternative manpower procurement strategies, including continuation of the all-volunteer force, a return to selective conscription and some form of universal or national service)	House Armed Services Committee
Improvements in Force Manning Under Alternative Pay Raise Proposals (Describes the effects on enlisted recruiting and career retention of the House Armed Services Committee and Senate Subcommittee versions of the fiscal year 1982 military pay raise bill)	Senate Armed Services Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Conventionally Armed Guided Weapons: Budgetary Implications of Selected Systems Currently Under Development (Examines the impact on budget uncertainties of the methods employed in costing systems development, including accuracy exhibited in the past; attention will be given to additional costs associated with deployment, history of performance of selected systems will be examined)	House Armed Services Committee
Building a 600-Ship Navy: Costs, Timing, and Alternative Approaches (Analyzes the shipbuilding requirements of the proposed naval force expansion program, assesses related ship procurement and operating costs and examines alternative force modernization and expansion strategies)	House Armed Services Committee
Building a 600-Ship Navy: The Cost of Adding Carrier Air Wings (Analyzes the aircraft procurement requirements of the proposed naval force expansion; assesses the related costs and examines alternative naval aircraft modernization and expansion strategies)	House Armed Services Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Office of the Director	
The Federal Financing Bank and the Budgetary Treatment of Credit Activities (Paper explains why the bank was established and what it does, examines the problems created by the budgetary treatment of some of the FFB's transactions and alternative solutions to those problems)	House Budget Committee
Conference on the Economics of Federal Credit Activity: Part II (Compilation of the papers prepared for the Conference on the Economics of Federal Credit held in April 1980)	House Banking, Finance and Urban Affairs Committee/House Budget Committee Task Force on Budget Process

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981

Division and Project	Requester
Tax Analysis Division	
Tax Incentives for Historic Preservation (Series of memoranda analyzing various alternative proposals for encouraging preservation of historic buildings)	House Ways and Means Committee
The Marriage Tax Penalty (A comparison of the Administration tax cut and proposals to reduce marriage penalties)	House Ways and Means Committee
Small Issue Industrial Revenue Bonds (Examines the origins, current volume and extent of small issue Industrial Revenue Bonds use, potential growth of the market, and effects of small issues on investment and on federal revenues)	House Ways and Means Committee
A Review of the Accuracy of Treasury Revenue Forecasts, 1963-1978 (Reviews the accuracy of the Treasury Department's estimates of aggregate receipts and also of its estimates of the effect of significant changes in the tax law over the period of 1964-1978)	Joint Economic Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Fiscal Analysis Division	
The Productivity Problem: Alternatives for Action (Analyzes reasons for the recent slowing in productivity growth and examines a wide range of policies aimed at reversing the trend)	House Budget Committee
Natural Resources and Commerce Division	
Fuel Economy Standards for New Passenger Cars After 1985 (Examines potential fuel-economy improvements resulting from increased application of existing technologies and the associated benefits and costs)	Senate Commerce, Science and Transportation Committee/Senate Energy and Natural Resources Committee
Financing Nuclear Waste Disposal (Analysis of funding issues; distribution cost uncertainties; fee collection mechanisms and budgetary treatment of revenues and expenditures for disposal)	Senate Energy and Natural Resources Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Natural Resources and Commerce Division (continued)	
Public Transportation for Handicapped Persons: An Analysis of Proposed Legislation (Analysis of three alternative proposals pending before the Congress that would offer localities discretion in meeting the needs of handicapped persons)	House Public Works and Transportation Committee
Managing Oil Disruptions: Issues and Policy Options (Analysis of options to mitigate the negative effects of an oil disruption)	Senate Energy and Natural Resources Committee
Food and Agriculture Policy in the 1980s: Major Crops and Milk (Reassesses existing crop commodity programs and examines some broad alternatives toward which the Congress might direct policies in the 1980s; also reevaluates the dairy support program in light of rising federal outlays)	Senate Agriculture, Nutrition and Forestry Committee
The Utility Industry and the Clean Air Act (Analysis of the effects of the Clean Air Act on the production and utilization of energy from coal, synfuels and utilities)	Senate Environment and Public Works Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Natural Resources and Commerce Division (continued)	
Financing Options for the Strategic Petroleum Reserve (Reviews current status of SPR and discusses financing options in light of the following issues: integrity of federal control, budget impact, speed of oil acquisition, capital market impacts, foreign experience and reserve depletion)	House Energy and Commerce Committee
Effects of Immediate Decontrol Summarizes the budgetary and macro-economic effects of President Reagan's decision to suspend price and allocation controls on domestic crude oil and of price and controls on gasoline and propane)	Senate Budget Committee
Review of the Financial Condition of the Highway Trust Fund (Reviews estimates of future Highway Trust Fund revenues and the implciations for the financial well-being of the system)	Senate Environment and Public Works Committee
The Productivity Slowdown: Causes and Policy Responses (Defines declining productivity; investigates some causes of productivity slowdown and discusses outlook for 1980s)	House Energy and Commerce Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Natural Resources and Commerce Division (continued)	
Service Impacts of Alternative Fiscal Year 1982 Funding Levels for Amtrak (Reviews cost of retaining the current Amtrak system and estimates the likely service impacts under three alternative fiscal year 1982 funding levels)	Senate Commerce, Science and Transportation Committee
Budget Analysis Division	
An Analysis of President Carter's Budgetary Proposals for Fiscal Year 1982 (Analyzes economic outlook for next two years and fiscal year impact of President Carter's budgetary proposals; examines major features of revenue and spending proposals for 1982 and compares them with past trends and current laws; has brief discussion of credit budget, off budget outlays and federal debt)	House Appropriations Committee
Federal Credit Activities: An Analysis of President Reagan's Credit Budget for 1982 (Reviews major proposed changes in federal credit activity during 1981 and 1982 and discusses the integration of credit budgeting into the federal budget process; has a function-by-function examination of the Administration's credit program estimates for 1981 and 1982)	House and Senate Budget Committees

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Budget Analysis Division (continued)	
An Analysis of President Reagan's Budget Revisions for Fiscal Year 1982 (Analyzes possible economic impact of Reagan budget revisions, examines major features of revenue and spending proposals for 1982 and presents CBO's reestimates based on alternative economic assumptions and on estimating methods and assumptions; analyzes in some detail major defense budget increases and reductions in other activities)	House Appropriations Committee
Supplemental Appropriations in the 1970s (Investigates the reasons for passage of supplemental appropriation bills during the 1970s and analyzes the possible impact of the Congressional Budget Act on the scope and magnitude of supplemental appropriation)	House Appropriations Committee
Paying for Social Security: Funding Options for the Near Term (Analysis of the short run financing issues for the Old Age and Survivors Insurance fund [OASI])	Senate Budget Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Human Resources and Community Development Division	
Protection From Catastrophic Medical Expenses: The Effects of Limiting Family Liability Under Existing Employee Insurance Programs (Examines the likely effects of legislation requiring employment-related health insurance programs to provide protection against catastrophic medical expenses)	House Ways and Means Committee
Federal Business Aid Programs: Issues, Effects and Options (Survey of direct federal programs to aid business)	Senate Banking, Housing and Urban Affairs Committee
Local Economic Development: Current Programs and Alternative Strategies (Analysis of trends in local economic conditions and survey of federal efforts to influence them)	House Banking, Finance and Urban Affairs Committee
The Impact of PSROs on Health-Care Costs: Update of CBO's 1979 Evaluation (Update to June 1979 paper; analysis parallels earlier evaluation in focusing on the program's effects on Medicare hospital utilizaion and costs)	House Ways Means Committee

96-498 O - 82 - 7

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Human Resources and Community Development Division (continued)	
Low Income Energy Assistance: Issues and Options (Examines the current burden of high energy costs on low-income households and analyzes issues and options relating to the design of future energy assistance programs and options for future programs)	Senate Budget Committee
The CBO Hospital Cost Containment Model: A Technical Analysis (Explanation of microsimulation model of the hospital industry used in CBO publication, "Controlling Rising Hospital Costs;" model was used to assess likely savings to federal government and other purchasers of hospital care and distribution of savings by type of hospital and purchaser)	House Interstate and Foreign Commerce Committee
Effects of Some of the Reconciliation Bill Provisions on Elderly Households (Analysis of the cumulative effects on various elderly households of the Omnibus Reconciliation Act of 1981; four major programs affecting the elderly are included)	Senate Labor and Human Resources Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Human Resources and Community Development Division (continued)	
Cumulative Effects of Some of the Administration's Tax and Transfer Proposals (A partial estimate of the effects on families of the Administration's personal tax reduction proposal and some of its spending reduction proposals)	Senate Labor and Human Resources Committee/House Budget Committee
An Analysis of the National Health Care Reform Act of 1981 (Analysis of the competitive aspects of H.R. 850, submitted as part of testimony)	House Ways and Means Committee
Medicaid: Choices for 1982 and Beyond (Examines background and consequences of a wide range of choices that would curb and refocus outlays for Medicaid)	Senate Budget Committee
Effects of Eliminating Public Service Employment (Analyzes effects of eliminating PSE on individuals and thus on revenues and expenditures in other federal programs; also examines how well the Congressional effort to target more PSE jobs on the economically disadvantaged has succeeded)	Senate Budget Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
Management Programs/Office of Intergovernmental Relations	
Civil Service Retirement: Financing and Costs (Analyzes concerns about the financial condition of the Civil Service Retirement System, its costs to the government and the rates at which federal employees and agencies contribute to it; poses several alternative approaches to financing CSR benefits)	House Budget Committee
Reducing the Reserves of the Federal Employees Health Benefit Program: Options for 1982 (Analyzes the current reserve levels, the manner in which they are held and the most appropriate way to dispose of excess funds; poses several alternatives to current policy)	House Post Office and Civil Service Committee
Costs of Potential Layoffs Under the Administration's Employment Reduction Program (Analyzes the possible costs of personnel layoffs resulting from the Administration's federal workforce reduction, focusing particularly on outlays incurred by layoff benefits and on the prospects for workforce reduction to be achieved by contracting out government work)	House Post Office and Civil Service Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division	
The CBO Military Retention Model (Describes models used to derive results for forthcoming background paper on military active-duty compensation systems)	House Armed Services Committee/Senate Budget Committee
Strategic Command, Control and Communications: Budgetary Implications of Alternative Approaches (classified; published in unclassified form in fiscal year 1982) (Examines the current strategic command and control system and DoD's plans to modernize and improve it, with special attention to the budgetary implications of alternative approaches to survivability during the trans-attack and post-attack periods)	Senate Armed Services Committee
Analysis of the Military Survivor Benefits Plan (Analyzes the Survivor Benefits Plan before the 1980 revisions showing how inequities in that plan affected government expenditures and the portion of costs paid by military retirees)	House Armed Services Committee/Senate Armed Services Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Costs of the National Service Act: A Technical Analysis (Analyses the costs of H.R. 2206, a bill providing for a broad-based national service system, and assesses the effects on key military manpower variables)	House Armed Services Committee
Resources for Defense: A Review of Key Defense Program Issues for Fiscal Years 1982-1986 (Reviews selection of program alternatives that illustrate how different approaches to four major defense issues would affect defense budgets in 1982-1986)	House Budget Committee Task Force on Defense and International Affairs
Naval Surface Combatants in the 1990s: Prospects and Possibilities (Assesses the likely size capabilities and role of the naval surface combatant force in the 1990s; examines alternative shipbuilding programs and estimates their budgetary impact)	House Armed Services Committee
The Benefits and Costs of the Export-Import Bank Loan Subsidy Program (Examines the costs and benefits to the United States of EXIMBANK's loan subsidy program)	House Banking, Finance and Urban Affairs Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Assessing the Readiness Additions in the Reagan Budget (Assesses the spending increases for readiness-related items in the Reagan Administration's defense budget revisions for fiscal years 1981 and 1982)	Senate Budget Committee
Costs and Benefits to the United States of the NATO Infrastructure Program (Examines the operation of the NATO infrastructure program and assesses its costs and benefits to the United States)	Senate Budget Committee
U.S. Economic Assistance to Less Developed Countries: The Roles of Bilateral and Multilateral Aid (Reviews the distribution of bilateral and multilateral aid by region and by purpose; assesses the relationship of these flows to various U.S. interests)	House Banking, Finance and Urban Affairs Committee
Costs of Deploying the MX Weapon System (Examines cost of deploying baseline MX system in terms of constant and current dollars; examines implications of increased Soviet threat for MX costs)	Senate Appropriations Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Military Educational Benefits: Proposals to Improve Manning in the Military (Presents preliminary findings of forthcoming report on military education benefits)	House Armed Services Committee
Improvements in Force Manning Under Alternative Pay Raise Proposals (Describes the effects on enlisted recruiting and career retention of the House Armed Services Committee and Senate Subcommittee versions of the fiscal year 1982 military pay raise bill)	Senate Armed Services Committee
Analysis of Alternative Defense Officer Management Systems (Estimates costs and other effects of alternative defense officer management systems)	Senate Armed Services Committee
U.S. Ground Forces: Design and Cost Alternatives for NATO and Non-NATO Contingencies (Assesses the current capacity of U.S. ground forces to meet the so-called one-and-one-half war requirement; analysis of current capabilities of NATO, using ratios of Warsaw Pact to NATO forces)	Senate Budget Committee

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981 (continued)

Division and Project	Requester
National Security and International Affairs Division (continued)	
Alternative Approaches to Adjusting Compensation for Federal Blue-Collar Employees (Provides a discussion of various proposals to change pay and benefit provisions for the federal government's blue-collar work force, with particular attention given to Carter Administration proposals)	Senate Governmental Affairs Committee
The Effect of OPEC Oil Pricing on Output, Prices and Exchange Rates in the United States and Other Industrialized Countries (Assesses the consequences of oil price rises for the general price level, employment, the trade balance, domestic and international credit markets, and the exchange rate in the United States and other major industrial countries)	Senate Finance Committee
Office of the Director	
Reducing the Federal Budget: Strategies and Examples, Fiscal Years 1982-1986 (Brief descriptions of 105 possible actions to affect the federal budget)	House Budget Committee
Conference on the Economics of Federal Credit Activity: Part I--Proceedings (Summaries of the papers, formal comments, and discussions from each of the Conference's topical sessions)	House Budget Committee Task Force on Budget Process/House Banking, Finance and Urban Affairs Committee

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981

Division and Project	Legislative Authority
Tax Analysis Divison	
Tax Expenditures: Current Issues for Fiscal Years 1982-1986	Congressional Budget Act of 1974
(Projects tax expenditures for fiscal years 1982-1986, discusses definitional and measurement issues and reviews economic, jurisdictional, budetary, and administrative considerations in choosing among tax expenditures, general tax cuts and direct expenditure subsidies)	
Fiscal Analysis Division	
Economic Policy and the Outlook for the Economy	Congressional Budget Act of 1974
(CBO's forecast of economic trends for 1981)	
The Economic and Budget Outlook: An Update	Congressional Budget Act of 1974
(Updates CBO's forecast for 1981)	
The Prospects for Economic Recovery	Congressional Budget Act of 1974
(Examines the state of the economy and the outlook in an environment of monetary restraint and fiscal stimulus)	

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981

Division and Project	Legislative Authority
Budget Analysis Division	
Baseline Budget Projections: Fiscal Years 1982-1986 (Projects total baseline budget authority, outlays and receipts for fiscal years 1982-1986; includes discussion of the forces affecting the budget and the definitions, assumptions and methods used for the projections)	Congressional Budget Act of 1974
Baseline Budget Projections: Fiscal Years 1983-1987 (Projects total baseline budget authority, outlays and receipts for fiscal years 1983-1987; includes discussion of the forces affecting the budget and the definitions, assumptions, and methods used for the projections)	Congressional Budget Act of 1974
CBO Reestimates of the President's September Spending Estimates for Fiscal Years 1982-1984 (Provides explanations of CBO reestimates of Administration spending estimates for fiscal years 1982-1984; CBO reestimates are divided into two categories: reestimates resulting from different economic assumptions and reestimates resulting from technical estimating differences)	Congressional Budget Act of 1974

PROJECTS INITIATED BY CBO IN FISCAL YEAR 1981

Division and Project	Legislative Authority
Office of the Director	
Inflation Scorekeeping Report (Description of CBO's inflation outlook and the inflation impacts of major Congressional actions)	First Concurrent Resolution on the Budget, Fiscal Year 1982
Reducing the Federal Deficit: Strategies and Options (Discusses alternative broad strategies for reducing the federal deficit and analyzes various specific options for cutting budget outlays and raising revenues over the 1983-1987 period)	Congressional Budget Act of 1974

PROJECTS COMPLETED BY CBO IN FISCAL YEAR 1981

Division and Project	Legislative Authority
Fiscal Analysis Division	
Indexing With the Consumer Price Index: Problems and Alternatives (Analysis of whether the CPI or other measure is the most appropriate index base for the food Stamps Program)	Food Stamps Act of 1974
Economic Policy and the Outlook for the Economy (CBO's forecast of economic trends for 1981)	Congressional Budget Act of 1974
The Economic and Budget Outlook: An Update (Updates economic forecast for 1981-1982)	Congressional Budget Act of 1974
Budget Analysis Division	
Baseline Budget Projections: Fiscal Year 1982-1986 (Projects total baseline budget authority, outlays and receipts for fiscal years 1982-1986; includes discussion of the forces affecting the budget and the definitions, assumptions and methods used for the projections)	Congressional Budget Act of 1974

○